



FINANCIAL TIMES

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Friday September 30 1988

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America	30.22	Indonesia	Rp3100	Peru	Esc20
Bahrain	Dhs0.624	Italy	553.00	S.Arabia	Riy7.00
Belgium	BF9.45	Japan	137.00	Singapore	S\$4.12
Canada	CS1.00	Korea	W1,400	Taiwan	Nt\$20.00
Cyprus	C\$2.00	Malaysia	Mal\$500	Thailand	THB50.00
Denmark	Dk10.00	Norway	Nkr125.00	USA	\$1.00
Egypt	E£2.25	Philippines	Phil\$100		
Finland	Fmk7.00	Spain	Ptas165		
France	FFr6.55	Switzerland	Sfr7.20		
Germany	Dm2.30	Turkey	Lira1,600		
Greece	Dr120	West Germany	DM3.00		
Hong Kong	HK\$1.00				
India	Rs1.25				
Israel	Sheq1.00				
Italy	Lira1,375				

World News

UN forces win Nobel Peace Prize

The 1988 Nobel Peace Prize was awarded to the UN Peace-Keeping Forces, 40 years after the first UN contingent was sent to the Middle East. Secretary-General Javier Perez de Cuellar will receive the prize. Page 2

EC-Cuban relations

The European Community and Cuba agreed to establish diplomatic relations, marking a continued improvement in relations between the EC and Comecon, the Eastern trading bloc. Page 2

Angola talks end

Talks aimed at a regional settlement in south-western Africa ended without agreement on a timetable for Namibian independence and withdrawal of Cuban troops from Angola. Page 6

Seoul student strife

South Korean students demonstrating in Seoul threw petrol bombs, chanted "Yankee Go Home" and accused President Roh Tae-woo's Government of using the Olympic Games to perpetuate division of the Korean peninsula.

SA police leave ban

All police leave was cancelled in South Africa in the run-up to municipal elections on October 26, following 27 urban bomb blasts this month. The ANC appealed to European parliament to condemn the elections, saying they were likely to provoke violence.

Beirut split deepens

Fears of Lebanese partition grew as most Christian MPs failed to join Syrian-backed Lebanese leaders at an "emergency national conference" to try and reconcile the two governments. Background, Page 6

Gaza funeral

At least two Palestinians were injured when Israeli forces opened fire on a demonstration accompanying the funeral of a prominent former mayor in the occupied Gaza Strip.

Flood control talks

Indian Prime Minister Rajiv Gandhi and President Hossein Mohammed Ershad of Bangladesh agreed to set up a joint flood control programme for their common rivers. Page 6

Brazil hijack

A lone hijacker shot dead the co-pilot and injured two crew members during a Brazilian domestic flight. The aircraft was carrying 90 passengers.

Polish trip off

Poland asked British Prime Minister Margaret Thatcher to postpone a scheduled visit to Warsaw amid official unease about her plans to meet Lech Walesa, leader of the Solidarity trade union. Page 2

Grain pact lapsed

For the first time since Washington and Moscow signed a grain trade agreement 12 years ago, the five-year US-Soviet grain pact is about to lapse on September 30 without a new accord signed.

Tory rebels

Members of Mrs Thatcher's Conservative Party joined the attack on her opposition to a so-called United States of Europe when Tory Euro MP Derek Prag told a European parliament committee that the speech included "massive contradictions".

Business Summary

IMF director gives upbeat view of world economy

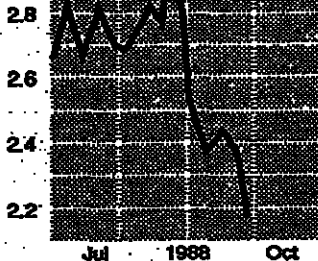
INTERNATIONAL Monetary Fund managing director Michel Camdessus closed the organisation's annual meeting in West Berlin with an upbeat assessment of prospects for improvements to the international monetary system. The last day of the joint IMF/World Bank gathering saw renewed demonstrations in the city centre, with some streets blocked by protesters. Page 20

ALUMINIUM

ALUMINIUM: Christopher Green, London Metal Exchange chairman, said the first LME aluminium warehouse in Japan would be set up next year and that an LME authorised warehouse might be set up in the US before mid-year.

ALUMINIUM

Cash high grade ('000 \$ per tonne)



High grade aluminium for delivery in three months fell to \$2,080 a tonne at one stage, the lowest level for five and a half months, but recovered to end at \$2,107, down \$38.50 on the day. Cash high grade fell by \$5 to \$2,135 a tonne. Page 44

GRAND METROPOLITAN, UK

food, drinks and leisure group, is negotiating to sell its international hotel chain to Sabu Saisan, Japanese conglomerate, for about £1.35bn (\$2.28bn) gross (£1.2bn after tax). Page 21

ROBERT Maxwell, British

publisher, raised the stakes in the battle for Masanilla, US publishing house, by making an increased cash offer of \$90 a share and concurrently pursuing legal action against its management. Page 21

BOUYGUES, French construction

and communications group, was subject of intense speculation as investors acquired substantial blocks of shares. Page 24

AGC, West German electrical

and electronics group, reported group sales 10 per cent higher, at DM7.7bn (\$4.1bn), in the first eight months of 1988. Twelve month sales are forecast at over DM13bn, compared with DM11.7bn in 1987. Page 24

AIR AFRIQUE, multinational

carrier owned by 10 Franco-phone west and central African states, is being bailed out by French management to solve acute financial difficulties. Page 23

WESTLAND, UK helicopter

maker, is being urged to drop legal action against the Arab Organisation of Industrialisation in return for a \$1bn joint venture in Egypt producing a sophisticated multi-purpose helicopter. Page 8

FRENCH Government set an

annual economic growth rate target of at least 2 1/2 per cent for next four years. Page 2

BRAZILIAN business and

labour leaders are negotiating a commitment to join forces against an inflation rate standing at 24 per cent a month and still rising. Page 4

JAPAN'S industrial output

grew 2.2 per cent in August, reversing July's 0.9 per cent contraction. Page 6

Discovery thunders aloft into a new era

By Roderick Oram at Cape Canaveral, Florida

WITH whoops and yells from elated spectators matching the throaty roar of its engines, the space shuttle Discovery blasted off yesterday from Cape Canaveral, returning US astronauts to space 32 trying months after the Challenger tragedy. The shuttle, which is carrying a crew of five, was delayed for 90 minutes only by fickle winds and came as an enormous relief to space officials and the American public. Many still wrestle with the spectre of the fiery end to the previous shuttle launch that killed seven astronauts.

"This is the first flight into a new era," said Mr James Fletcher, head of National Aeronautics and Space Administration. He had led the agency and the shuttle through a complete overhaul of organisation and machinery to yesterday's resumption of US manned space flights.

"We're proud to be back," said Mr J.R. Thompson, director of NASA's Marshall Space Centre responsible for propulsion systems including the solid fuel boosters which had destroyed the Challenger. "It was one of the smoothest ones I've ever been to," he added.

Discovery thundered aloft shortly after 11.30am Florida

time, riding a pillar of orange flame and white smoke. As it disappeared briefly into a cloud shortly after take-off, a spectator anxiously yelled "Come out, come out!" It did moments later as it roared into space.

Two minutes after lift-off, the orbiter separated from its solid fuel boosters, passing the critical phase that had doomed Challenger. Half an hour later, its main engines gave their final burn, kicking the space craft into orbit on the start of a four-day mission.

Throughout the day had dawned brilliantly with apparently perfect weather conditions, the launch was delayed by adverse conditions aloft. Gentle spring winds almost proved more than a match for the mighty engines of Discovery.

The shuttle's navigational computers, programmed for strong west-north-west winds that almost always sweep high over Florida's Atlantic coast during the autumn, could not cope with the light breezes. If Discovery had been launched, the computers would have over-compensated for the spring-like weather and steered the shuttle off course.

Nature briefly undid what man had almost perfectly pre-

pared. The shuttle had ticked like clockwork through the long countdown. The biggest hitch was a faulty fan in the bulky flight suit of Col Richard Covey, the shuttle's pilot. He sweated until the fan was fixed.

Nasa officials expressed delight with the smooth operations, particularly as the launch was considered a test flight because of the hundreds of major changes to the shuttle in its \$2.4bn redesign.

More than half a million people had poured into the Cape Canaveral area in recent days eager to witness the revival of the US space programme.

The report then describes the failure of virtually every emergency system on the platform.

The findings are likely to be a severe embarrassment to the offshore oil industry and will add to calls for more stringent safety procedures.

Mr John Prescott, energy spokesman for the opposition Labour Party, immediately demanded the setting-up of an independent safety inspectorate. He said the report revealed a lack of safety awareness and demonstrated the urgent need for an independent and immediate review of the safety techniques and apparatus that are applied throughout the North Sea.

He also accused the Department of Energy of covering up "inadequate maintenance and unsafe working practices" at Piper Alpha following an explosion on the platform in 1984. A report on the incident has been made available to Lord Cullen, who is heading the public inquiry into this year's disaster.

Mr Jim Petrie, who heads the Department of Energy's investigation, yesterday called for North Sea operators to begin an immediate reappraisal of safety systems and procedures, including the control of on-platform maintenance work, automatic fire-fighting systems, the working of life-rafts, evacuation routes and the integrity of emergency systems.

The initial blast on the platform was severe enough to destroy a fire wall to the platform's control room, immediately knocking it out of action. Emergency power supplies did not start up and emergency lighting gave out quickly.

Dousing and sprinkling equipment also failed to operate. The automatic equipment had been switched off because of diving activity near the platform.

Continued on Page 20

Frighful failures on Piper Alpha platform, Page 10

Gorbachev emergency meeting likely to push through key reforms

By Quentin Peel in Moscow

MR Mikhail Gorbachev, the Soviet leader, is expected to make sweeping reforms in the next two days, after the surprise announcement of an emergency session of the country's Supreme Soviet, the national parliament, to follow today's urgent plenary meeting of the Communist Party central committee.

The combination of the two events, announced at short notice, suggests that far from facing a government crisis, the Soviet leader is about to push through some of the party and government reforms approved by last summer's extraordinary party conference.

The announcement of the Supreme Soviet session at two days notice caught Soviet and foreign observers by surprise. It was assumed that today's central committee meeting, called so suddenly by Mr Eduard Shevardnadze, the Soviet Foreign Minister, had to cut short his visit to the United States in New York, which was scheduled to end on September 29.

However, the Supreme Soviet would only be summoned to consider wider issues, including an overhaul of the Soviet Government, or to be presented with the detail of promised constitutional and legal reform.

It certainly looks as if the Soviet leader is deliberately forcing the pace of reform, and keeping any potential opponents off balance by giving

Commission may back UK fight for Nissan trade

By Will Dawkins in Brussels and Kevin Done in London

THE EUROPEAN Commission is expected to back the UK Government's fight to gain free access to the French market for cars built in the UK by Nissan, the Japanese vehicle maker.

Commission officials' indications of support came in response to a letter sent yesterday by Lord Young, UK Secretary of State for Trade and Industry to Lord Cockfield, EC Commissioner for the internal market, asking the Commission to intervene in the three-month row between London and Paris.

The conflict has intensified this week, as Nissan begins production today of its first Bluebird models for export to continental European markets.

The French Government is insisting that the UK-built Bluebirds be treated as Japanese produced cars and be included, therefore, under its unilaterally imposed quota, which restricts Japanese cars to a 3 per cent share of the French car market, until the Nissan products reach at least 80 per cent local EC content.

The UK Government had earlier agreed with Nissan that the cars produced in Sunderland would be treated as UK products when they reached a level of 80 per cent local content. Nissan reached this level at the beginning of this year.

"The claimed right to market UK-assembled Nissan cars freely in the EC appears to be legitimate if seen against existing Community practice," said an EC official.

Meetings between French and British officials have failed to make any progress towards solving the dispute.

In letters to both Lord Cockfield and Mr Roger Fauroux, French Industry Minister, Lord Young yesterday spelled out that the French stance was unacceptable.

Britain, which has helped finance the Japanese car maker's assembly plant in Sunderland in the north-east of England, has made clear that it has "every sympathy with Nissan's position".

The row between London and Paris has brought to the surface deep differences among European vehicle makers about the best way of dealing with Japanese car imports and the setting up in Europe of Japanese vehicle assembly capacity.

Lord Young has urged the Commission to declare that cars with 60 per cent local content should be counted as EC-made, in line with the level it recommended after a similar row in 1982 when the Italian Government tried to restrict imports from the UK of Triumph acclamans, assembled under licence from Honda by British Leyland and rebadged as BL cars.

His appeal is based on Article 30 of the Treaty of Rome, the EC's constitution, outlawing restrictions on imports between members.

This row is highly sensitive because the UK Government made a considerable effort to attract Nissan, the first Japanese car maker to build a big plant in the EC - and the outcome will affect other Japanese car groups' plans to do the same.

Row touches raw nerve, Page 8; trading places for the future, Page 24

Moscow puts accent on Nato aircraft

By Quentin Peel in Moscow

Moscow is prepared to negotiate on its advantage in tanks and artillery but only in exchange for cuts in Nato's strike aircraft. Marshal Sergei Akhromeyev, Chief of the Soviet General Staff, said that talks on conventional arms in Europe would be meaningless unless they dealt with offensive aircraft. Page 20

Observers in Moscow have noted that Mr Yegor Ligachev, the number two in the party hierarchy, and a far more conservative figure, has been absent from the public eye for the past three weeks, presumably on holiday.

The fact that there is opposition to Mr Gorbachev's reforms, both political and economic, is no secret. Indeed the prospect of drastic cuts in the Communist Party bureaucracy, and the replacement of large numbers of lower-level party officials in current elections, seems certain to provoke a new backlash.

Another possibility is that the two meetings will see important changes in membership of the ruling Politburo, which can be approved by the central committee plenum.

President Andrei Gromyko, aged 79, is one possible casualty, although he is still widely respected in the party in spite of having served in all the major posts of the administration of Stalin, Khrushchev and Brezhnev. Mr Mikhail Solomentsev, chairman of the party control committee, and another stalwart of the Brezhnev years, is a second ageing member who was openly criticised at the June party conference, along with Mr Viktor Chabrikov, chairman of the KGB, the state security service.

Continued on Page 20

Olivetti unveils reorganisation to tackle 'market realities'

By Aisa Friedman in Ivrea, Piedmont

OLIVETTI, the Italian office automation concern, yesterday unveiled a sweeping corporate reorganisation which divides the group into three separate operating divisions and reshuffles top management.

Mr Carlo De Benedetti, the Olivetti chairman, said the restructuring was "a logical response to the realities of the world information technology market".

Mr De Benedetti said he planned to devote more time to the company and may increase his equity stake from its present 12.4 per cent.

Mr Vittorio Cossani, the former American Telephone and Telegraph executive who is now group managing director at Olivetti, said the company was "feeling the general squeeze on margins and must therefore improve its structure to achieve better value-added profits".

The reorganisation, to take place next January, will see Olivetti split into a holding company and three business divisions in the areas of office products, computers and related systems and services. A fourth unit will specialise in new technologies.

The first new unit, Olivetti Office, will group consumer products such as typewriters, calculators, cash registers, printers, copiers and office furniture. The second division, Olivetti Systems & Networks, will address the data processing market and will cover personal and mini-computers, terminals, telecoms systems and mainframes. The third unit, Olivetti Information Services, will specialise in software and other value-added services.

Mr De Benedetti said yesterday the aim of the reorganisation was to create a "more efficient and more entrepreneurial business" at Olivetti, enabling it to react more quickly to fast-changing computer market and to eliminate management layers. Of the 600 middle-level managers affected, it is

thought likely that a few dozen may be shed.

Mr Cossani will preside over the new structure. He will be flanked by Mr Elserino Plo, head of corporate strategy who engineered the 1983 "alliance" with AT&T that saw the US group become Olivetti's leading shareholder.

Mr De Benedetti again confirmed that AT&T would remain a shareholder at least until the expiry of its standstill accord in 1990.

Analysts in New York and Milan reacted to the Olivetti reorganisation by saying that the Italian company, the world's third largest personal computer maker, had to become an integrated systems seller and not merely a hardware company.

Mr De Benedetti said 1988 group revenues would increase at least as much as they did in the first six months, when the rise was 16 per cent. Lex, Page 20.

MARKETS

FRANCE CAC General Index	380
300	
370	
360	
350	
340	
Sep 1988	

STERLING	New York close	1.5820 (1.5800)
London	\$1.5825 (1.5805)	DM3.875 (same)
FR10.775 (10.78)	SP12.500 (12.525)	Y226.0 (226.25)
DOLLAR	New York close	DM1.8520 (1.8500)
London	FFr6.4055 (6.385)	SP11.5940 (11.591)
Y134.42 (134.05)	Commerzbank	DM1.9820 (1.978)
FFr6.4050 (6.3825)	SP11.5930 (11.59)	Y134.40 (134.2)
GOLD	New York	\$401.6 (403.45)

STOCK INDICES	New York close	Dow Jones Ind. Av.	2,118.31 (+33.78)
S&P Comp	272.56 (+3.69)	London	FT-SE 100
1,820 (+16.5)	World	124.95 (Wed)	Tokyo
Nikkei Ave	27,700.13 (-61.89)	Frankfurt	1,584.2 (+10)
OSI	Brent 15-day (Argus)	\$12.525 (+0.425) (Oct)	Wheat-Tex Grade
\$13.97 (-0.215) (Nov)			

Summer success brings autumn of discontent for Gonzalez

A run of political and economic successes is threatening to turn sour for Spain's Prime Minister Felipe Gonzalez, with targets for inflation ruined, interest rates rising and a Cabinet row about how to tackle the situation. Page 2

France Paris plots a course for the economy in the coming four years.

US Treasury issues Greek doubts, Filipino fears but a deal in Spain.

Second Olympics Record performances and drug scandals give Games a surreal air.

EC trade policy: The war of words over protectionist policies after 1992.

Editorial comment: Africa's debt burden; testing the ozone.

Aid for Africa: The ever-present danger of chronic dependency.

Leaz Bond Corporation; money supply; Olivetti; United Newspapers.

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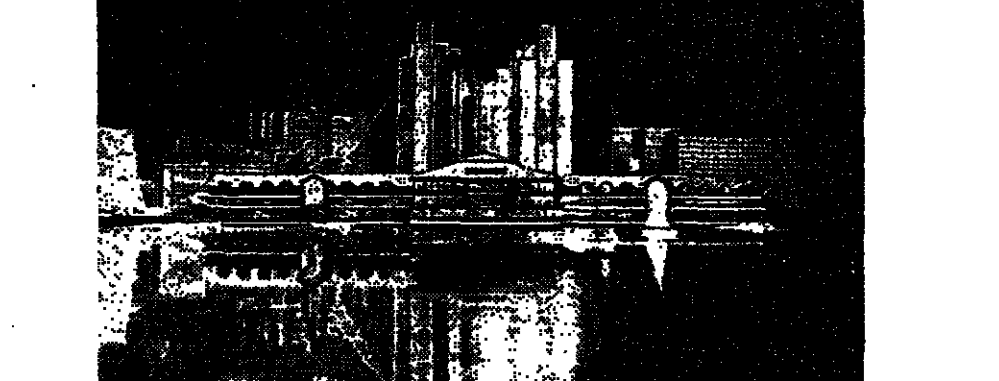
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EUROPEAN NEWS

France sketches course for economy over next four years

THE FRENCH Government yesterday laid down the target of a economic growth rate of at least 2 1/2 per cent a year for the next four years...

process of economic planning which in recent years has lost most of its earlier importance. France needs an above-average growth rate in the European context...

In addition, the report recommends the development of activities with high employment content and low import content, such as tourism and other services. On the supply side, the Government says the plan will set an ambitious target for raising the educational level of school-leavers...

Ian Davidson outlines a draft national plan which is aiming for an annual growth rate above the European average, made necessary, says the Government, because of the projected increase in the labour force.

of both left and right, to the idea of a new step towards a European currency and a European central bank. At home, the draft proposes a leaner role for the state, with the function of supervising and regulating, but as far as possible leaving action to the competitive transparency of the markets...

direct taxes, without making clear whether this means a shift from indirect to direct taxation. On the other hand, it calls explicitly for a decentralisation of taxation away from the centre, in line with the decentralisation of spending decisions.

more modern methods of organisation and impartial methods for assessing efficiency. In this context, the draft lays down a significant marker on the need for reform of the public sector unions, with emphasis on efficiency and flexibility.

Thatcher asked by Warsaw to postpone her visit to Poland

By Christopher Bobinski in Warsaw and Robert Mautner in London. THE POLISH authorities have asked Mrs Margaret Thatcher, the British Prime Minister, to postpone her two-day visit to Poland, which was to have started on October 16...

Poland's leaders fear Mrs Thatcher will use her meetings with Mr Walesa to promote the cause of free speech and political reform in Eastern Europe at a time when the Government is having the greatest difficulty keeping the banned Solidarity movement in check.

Forces and to the United Nations family as a whole on their birthday. He said the prize was not intended to recognise any particular operation by the 500,000 soldiers from 58 countries who have undertaken UN duty...

General Martin Vadset of the UN Truce Supervision Organisation. The most dangerous UN operation at present is probably that undertaken by UNIFIL, the United Nations Interim Forces in Lebanon.

reported to have taken into account the danger of interfering in the US presidential elections. Sir Brian Urquhart, a former UN Under-Secretary General, called the award a recognition of the idea of non-violence in the military.

● In Cyprus, where 2,000 UN soldiers are based on the Green Line dividing the island between Greek and Turkish Cypriot sectors, blue beret soldiers hailed the award as a welcome acknowledgement of their efforts.

De Benedetti coup claim in bank failure. ITALIAN businessman Carlo De Benedetti scored a "big financial coup" when extricating himself from the affairs of the sinking Banco Ambrosiano in early 1982...

Austrian coalition aims to reduce budget deficit

By Judy Dempsey in Vienna. AUSTRIA'S Socialist-led coalition Government yesterday in a show of determination to control the high public deficit, has promised to reduce next year's budget shortfall to 4 per cent of gross domestic product...

social welfare system, and the problem is expected to continue into 1990. In contrast with the 1988 budget, next year's draft does not provide for any cuts in social security. However, the growth in expenditure will be offset by a rise in revenue of Sch16bn...

Alcatel share in German mobile phone system

By Terry Dodsworth. ALCATEL, the electronics group owned by CGE of France, is to supply network equipment for the digital mobile telephone system planned by the West German Bundespost.

Italy brings to an end three decades of tight controls on movement of capital

By John Wyles in Rome. ITALY EMERGES tomorrow from a 32-year-long regime of tight controls on capital movements which has become a land of wider freedoms in preparation for the removal of all capital barriers by most EC countries in mid-1990.

Mayhem in Italian port over waste ship

THE TOWN council of the southern Italian port of Manfredonia resigned en masse yesterday after demonstrators stormed the town hall in protest at the imminent arrival of a ship bringing back toxic waste dumped in Nigeria.

French survey

In the survey on France published in yesterday's Financial Times, Ian Davidson, the principal author, was incorrectly named as Ian Richardson.

Spanish inflation

Spanish inflation. % change on previous month. The chart shows inflation rates for February 1988 and July. In February, inflation was approximately 1.5%, and in July, it was approximately 1.0%.

Summer of success brings Gonzalez to autumn of discontent

Peter Bruce reports that Spain's Prime Minister is experiencing a rough ride over the performance of the economy

FOR Mr Felipe Gonzalez, this is proving one of the most uncomfortable autumns since he became Spain's Prime Minister in 1982. An extraordinary run of political and economic successes and a sharp rise in inflation targets in ruins, interest rates on the rise and reports of serious cabinet infighting over how best to get out of trouble.

At its present rate, inflation would top 5.5 per cent for the year though measures hurriedly set in train are likely to hold it to around 4.5 per cent. That will not mollify union anger and pressure for sharp wage increases next year. It also upset the Government's own equilibrium. A few days before the inflation figures were published, the Government settled what it hoped would be benchmark wage deals for just over 3 per cent next year with two small unions representing pensioners and public employees.

foreign exchange reserves rank fifth in the world. He, not the unions or the Socialist party left, has had the Prime Minister's ear and has helped the Government take away the political middle ground from the CDS and the Alianza Popular, the bigger conservative grouping. But his and Mr Gonzalez's mettle as crisis managers may soon be tested.

Spain may simply become a more expensive place in which to get into debt. The broad money supply measure, the ALP (M3 plus other liquid assets held by the public) has been threatening its 11 per cent target ceiling all year despite even higher rates in January and February.

hold prices down and to maintain job creation at its present level, the last three good years do mean that the Government still has some comfortable cushions to fall back on. Although the high level of imports was bound to overwhelm tourist receipts and push the current account into the red this year, unexpectedly strong exports have kept the targeted deficit of \$3bn within sight.

The Concordat between the Italian state and the Vatican has frustrated magistrates' attempts to prosecute Archbishop Marcinkus for alleged involvement in fraudulent bankruptcy in connection with IOR's ownership of dummy companies to which Ambrosiano lent \$1.5bn.

As for the Brioschi shares, it is alleged that there were in fact promissory notes, issued by the businessman, Giuseppe Cabassi when he purchased two companies from Mr De Benedetti. These were promptly paid as promised to the value of £32m by the end of 1982.

FUTURE OF US BASES

Strained links in the chain of allies' security

SINCE the Second World War, US military power has rested not just on nuclear weapons but on a network of foreign bases round the world.

Dozens of ports, air bases, storage depots and listening posts have acted as launching pads for the deployment of US forces overseas. Equally important, the bases have served as links in a chain of collective security for the US and its allies.

But this security network faces a serious challenge. It comes not from the US's traditional adversary, the Soviet Union, but from the allies themselves. The challenge takes the form of overlapping negotiations of base rights which, coupled with rising anti-US sentiment in some countries, have begun to test Washington's policy-makers.

An agreement on US bases in Spain has now been finalised, covering the next eight years. But as part of the deal, the US has had to swallow the staged withdrawal of the 401st Tactical Fighter Wing, consisting of 72 F-16 fighter jets, from Torrejon air base, near Madrid, which was agreed in January this year.

The 401st - the largest US air unit in the Mediterranean - has found a new home in Italy, but Spain's action amounted to the first unilateral reduction of US forces ordered by a European ally since 1966, when France closed US installations and withdrew nuclear troops from NATO bases.

Spain is not the only country to present problems. Last month, Greece's Socialist Government announced that it had decided to close the Hellenikon base, 10 miles south of Athens, a valuable staging post for intelligence-gathering missions in the Middle East.

In the Philippines, the Aquino Government has indicated that it wants \$1.2bn (£700m) in annual compensation for the remaining two

'Ask not what the US can do for you, but what you can do for the US'

years of the current leases for the two main bases, at Subic Bay and Clark Air Base - the counterweight to the Soviet air and naval bases in Vietnam.

And in South Korea, although both sides agree that the 41,000-strong US forces should stay until the problems of the peninsula are resolved, the US is keen that Seoul bear a greater share of the financial burden. Rising anti-US sentiment in South Korea, fuelled by the prolonged trade and protectionism dispute, has made the issue even more delicate this year.

The problems are not all financial. Several countries, including Spain and the Philippines, have raised the threat of a ban on nuclear weapons on their territory - which challenges the long-standing US policy of neither confirming nor denying whether its ships or aircraft are carrying such weapons. In Spain, this threat has been settled by the use of ambiguous language, as it was in Norway and Denmark; but the trend is worrying the US.

Echoing a frustration widespread in the Reagan Administration and in Congress, a senior Pentagon official said: "The (bases) argument is not only about the US demanding itself by the forward deployment of forces, but also the psychological and political resolve of the US to defend Europe." These words are given weight by the growing call in the US for "burden sharing" - the umbrella term used to express American dissatisfaction with the allies' contribution to collective security.

Burden sharing is not a new issue and it is being fanned by election year politics. But it reflects a deeper, widespread anxiety about US military commitments overseas being out of kilter with US economic strength.

The US has collective defence military assistance relationships or both with 118 countries. In addition, it has a total of 1,264 military bases: 871 bases in the US, 19 in US possessions and territories, and 374 bases overseas (90 per cent of which are in West Germany).

As Mr Fred Iklé, former Defence Under Secretary for Policy, points out, it would be wrong to exaggerate the difficulties surrounding the present base renegotiations when ties with other base countries such as Britain and West Germany remain strong. Indeed, some US officials like to dismiss the convergence of base talks with Portugal, Spain, Greece and the Philippines as mere "astrological coincidence".

Yet events since 1981, when the Greek Socialist Prime Minister, Mr Andreas Papandreu first signalled that he wanted to get rid of US bases, appear to point to a historical align-

Papandreu illness raises fresh doubts over negotiations

By Andriana Ierodiakonou in Athens

THE US is facing a growing policy challenge - from its own friends. Lionel Barber reports

NEGOTIATIONS for a new agreement on the operation of the four US military bases in Greece were temporarily suspended by Washington in early September, following a decision by Athens to close down one of the four facilities, the Hellenikon airbase on the eastern outskirts of the Greek capital.

Washington had hoped to conclude the talks, which began one year ago, by December, when the five-year 1983 Greek-US defence and economic co-operation agreement expires. This agreement currently governs the bases' operation.

However, talks could extend beyond that date, given that the 1983 agreement gives the US 17 months beyond the December deadline in which to close down the bases and withdraw some 7,500 personnel and dependants from Greece.

Despite a theoretical commitment to closing the bases down, the Greek Socialist government has said it is willing to sign a new agreement. However, this would be on the condition that any deal

include some sort of guarantee of Greek interests in the light of perceived expansionist designs by Turkey, its rival, neighbour, and fellow Nato member.

The American side has ruled out specific reference to third countries, but a compromise formula involving the reiteration of existing US commitments, such as to the United Nations charter or the Helsinki agreement, was reportedly considered feasible.

The further course of the bases talks, which according to the Greek side will resume in October, is complicated by the sudden illness of Dr Andreas Papandreu, the Prime Minister, effectively the key Greek negotiator, who is awaiting heart valve surgery in London.

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The Conservatives are committed to keeping the bases, but might well set tougher terms for signing a new agreement.

But the Administration's room for manoeuvre on aid is minimal. Domestic budgetary pressures, notably a \$10bn deficit, are a big constraint; equally important is the way the US Senate has assumed the right to " earmark" more than 90 per cent of security assistance funds for specific countries.

Resurgent nationalism in newly emerging democracies is a theme common to the Philippines, South Korea, Greece and Spain. And the US is made to pay for its previous support of authoritarian rulers such as President Marcos, General Franco or President Chun.

The Spanish request to the US to remove the 401st Tactical Fighter Wing over three years still rankles. Perhaps disingenuously, officials argue that they only expected to shift the jet fighters from Torrejon, not altogether from Spain, where the Wing served to protect NATO's southern flank.

Spanish officials counter that, under the new agreement, the US will retain access to all its four major military installations. Spain has also waived any claim to future US aid, while pledging to strengthen its own armed forces. Thus, Washington's demands for burden-sharing are met.

Not so, says a senior Pentagon official. "It is difficult to exaggerate the significance of the Spanish request to the US to leave," he said, noting that the uncertainty thereby created is an open invitation to the Soviet Union to test Alliance solidarity.

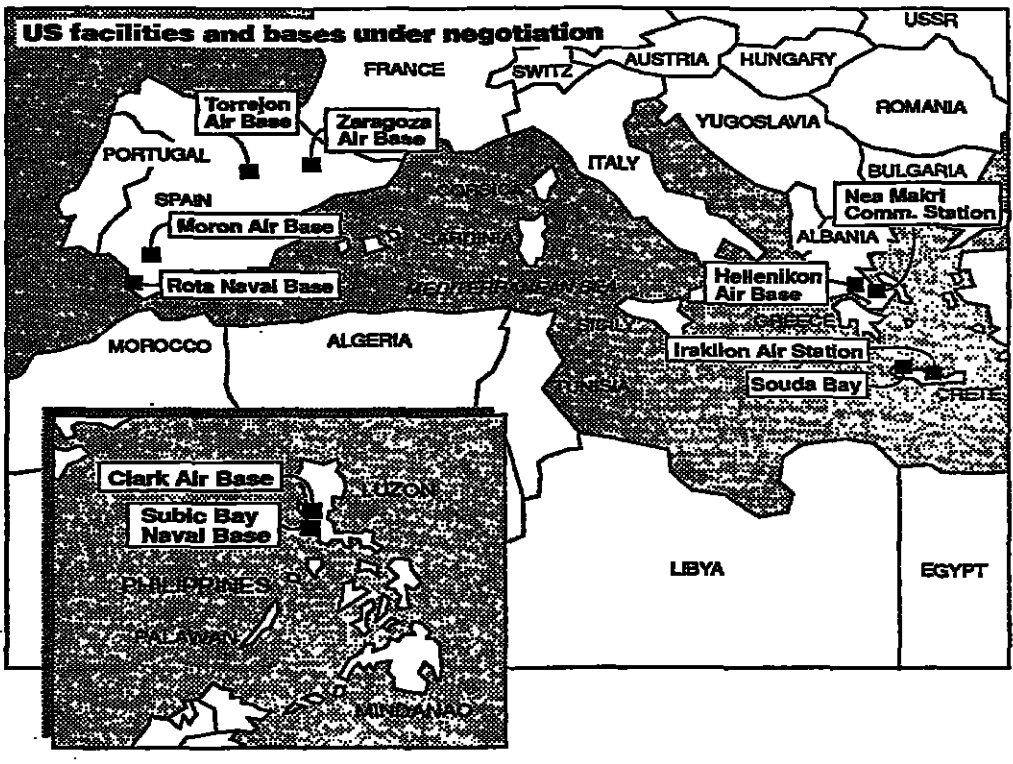
So what should be the appropriate US response to the base conundrum? To paraphrase President Kennedy, the first American message to the Allies is: ask not what the US can do for you, but what you can do for the US.

Italy's prompt decision this year to accept the 401st Tactical Wing won much admiration in the Administration and in Congress. Equally important was the agreement by Nato members - excluding the US - to bear the \$300m cost of relocating the Fighter Wing.

The second US response is to lay plans today for what could be drastic changes in force structure tomorrow. US planners have already drawn up a complicated study of relocation from the Philippines, including a breakdown of every function from ship-repair, to maintenance, to training.

The study is believed to contain proposals for alternative bases, such as moving ship repairs to South Korea or possibly Singapore, and setting up an air base and port at the US territory of Guam, or the island of Palau which has a harbour deep enough for a carrier battle group. But the total cost of such a move could be more than \$10m.

A third response is to move gradually away from a reliance on base accords and towards access agreements which allow the host country more discretion in accepting US forces.



include some sort of guarantee of Greek interests in the light of perceived expansionist designs by Turkey, its rival, neighbour, and fellow Nato member.

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Wrangling over the Philippines facilities set to get tougher

By Richard Gourlay in Manila

US NEGOTIATORS have faced a barrage of anti-American rhetoric during five months of inconclusive talks on compensation for two more years' use of military bases in the Philippines. They haven't seen anything yet.

The five-year review of the Strategic Clark Air and Subic naval bases and four smaller facilities covers a range of issues in the lease that runs out in 1991, but the talks have boiled down to a haggle over money.

Once an agreement is reached - and most observers accept that an agreement is inevitable - the process begins again in earnest with talks on whether the Philippines should host the bases beyond 1991.

President Corason Aquino has repeatedly assured Washington that the current agreement will be honoured, but she is keeping her options open over an extension.

However, because of a quirk in a previous negotiation, the compensation element in the agreement runs out this year, and with it the US Administration's undertaking to use its "best efforts" to persuade Congress to appropriate \$180m a year in military, economic and

food aid.

One of the key obstacles now is the public nature of the negotiations. Mr Raul Manglapus, the Philippine Foreign Secretary, has announced he is asking for \$1.2bn a year while Washington has confirmed a Philippine statement that the US is only offering around \$500m in hard cash.

While Mr Manglapus has hinted that the two sides are close on the hard cash, he is now exploring "soft" or non-cash extras to try to bring the package closer to \$1.2bn.

Mr Manglapus, who was given some rough treatment by the FBI in the US while an exiled opposition leader during President Marcos's rule, may also be waiting to deal with a new US Administration, although there are no signs he would get a better deal.

If it has been a tough five months, it is going to get tougher. Supporting the bases is not seen as sound domestic politics given a mood of resurgent nationalism.

Few advocates of the bases, including Mr Fidel Ramos, the Defence Secretary, publicly face up to the country's economic dependence on them. They provide around 5 per cent of Gross National Product.



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AMERICAN NEWS

Argentina halts constitution reform

By Gary Mead in Buenos Aires

LONG-STANDING plans to reform Argentina's constitution have come to a halt. Mr Enrique Nosiglia, Interior Minister, in a document circulated to the leaders of the main political parties, said reform was impossible during the run-up to the presidential election in May next year and that the position would be reconsidered after vote.

President Raul Alfonsín's Radical Party Government has since 1984 sought to alter Argentina's constitution in three crucial directions: to reduce government office from six to four years; to introduce a prime ministerial post alongside that of president, thereby reducing the executive power of the presidency; and to modify a rule requiring the president to be a member of the Roman Catholic faith.

In the last few weeks President Alfonsín has met with the Peronist presidential candidate, Mr Carlos Menem, and Mr Eduardo Angeloz, the Radical Party candidate, to agree terms for the constitutional changes. However, both have dismissed the plans as low on their list of priorities. The stumbling block is that both believe they have a reasonable chance of success and see little point in diminishing the executive power of the presidency before they have a chance to take office.

In his declaration to the candidates, Mr Nosiglia, who has also taken charge of the Foreign Ministry in the absence of Mr Dante Caputo at the United Nations, said he hoped all political parties would draw up documents stating their position on the reform proposals. But it is unlikely that any changes will occur before the next president takes over in December 1989.

Bankers expect interest payment

By Stephen Fidler in West Berlin

ARGENTINIAN officials have indicated in private meetings with bankers in West Berlin that the country intended to make a "significant" payment of interest to commercial banks in the near future. Argentina is more than \$1bn in arrears to the banks, dating back to April. US regulators meet next month to assess the standard of bank loans to developing countries.

Reagan set to sign arms bill

By Stewart Fleming, US Editor, in Washington

PRESIDENT Ronald Reagan is expected to move swiftly to approve a \$300bn Pentagon budget bill which would trim spending for his "Star Wars" Strategic Defence Initiative. Mr Reagan vetoed the original Pentagon authorisation bill on August 3, an action widely criticised as politically motivated. Vice-President George Bush subsequently attacked Governor Michael Dukakis, his Democratic rival for the presidency, on defence issues.

with Defence Secretary Frank Carlucci to meet some of Mr Reagan's objections. The compromise limits SDI spending to \$4.1bn in the 1989 fiscal year which begins on October 1. This is \$800m less than the President requested. The specific restrictions on how the spending should be allocated, which were contained in the bill Mr Reagan vetoed, have been replaced by assurances by Mr Carlucci that he will not cut spending on research into land-based nuclear missile defences proportionally more than he does space-based defences.

Mr Carlucci has been moving separately in the direction of putting more emphasis on a narrower land-based anti-ballistic missile defence system anyway, which is in line with the priorities Congress wants to set, but in conflict with the ambitious space-based missile shield Mr Reagan envisaged when he launched SDI in 1983. The bill also increases by \$100m funding for modernisation of strategic missiles. Mr Reagan had requested that most of the money for modernisation should be spent on the development of the rail-based 10-warhead MX missile. Instead, \$250m will be allocated to the MX, which Mr Bush supports, \$250m for the mobile single warhead Midgetman which has support in Congress, and \$350m (instead of \$250m) put aside so that the next president can make his own choice.

Mitterrand calls for end to hostile blocs

By Our UN Correspondent

PRESIDENT François Mitterrand of France told the UN General Assembly yesterday that successful disarmament negotiations for the next two years would open vast prospects for the future of Europe, where history and geography called for an end to hostile blocs in the interests of East and West alike.

But if there were no such good results, "then unfortunately there would be nothing to prevent an avowed or disguised return to over-armament, with each one resuming his freedom of action," he said. Like Sir Geoffrey Howe, the British Foreign Secretary, Mr Mitterrand supported US President Ronald Reagan's appeal for a new attack on the problem of chemical weapons. The French leader said Mr Reagan, who addressed the General

Assembly on Monday, spoke correctly on the subject and in urgent terms that echoed France's own concerns. He noted that both the US and the Soviet Union - which also backed the Reagan proposal - had chemical weapons in their arsenals while France did not. Mr Reagan's proposal of a conference of the 110 signatories of the 1925 Geneva protocol would aim at a reaffirmation of the commitment of non-use of chemical weapons.

Mr Mitterrand said France wanted the UN role increased in the struggle against proliferation and use of chemical weapons. "Let us create a situation which would make it impossible for any state to use chemical weapons with impunity to settle its external or internal problems," he said.

Canada's Liberals unveil poll platform

By David Owen in Toronto

MR JOHN Turner, Canada's opposition Liberal leader, has unveiled details of the party's election platform, though a date has yet to be set. It included a commitment to scrap the still unratified US-Canada free trade agreement. The party also promised to provide some form of tax relief on residential mortgages and to undertake an extensive environmental clean-up.

Canada's Liberals unveil poll platform

government would not proceed with the second phase of the Government's tax reform plan which would replace federal manufacturing tax with a multi-stage value-added tax. These one lowered overall tax rates but closed a number of loopholes. Other pledges included: proposed income supplements for the so-called working poor, a "clean government" act, which would set rigid conflict-of-interest standards, and a programme to provide equal pay for work of equal value as a bid to "stop the economic exploitation of women".

The latest Angus Reid opinion poll gave Mr Mulroney's Conservatives 40 per cent of decided voters, the left-of-centre New Democratic Party 31 per cent and the Liberals 26 per cent. About 22 per cent of voters are undecided.

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Brazil's employers and labour leaders seek 'understanding'

By John Barham in Sao Paulo

BRAZIL'S business and labour leaders are negotiating to join forces against the country's growing inflation rate, currently 24 per cent a month. The discussions are advancing slowly and unevenly. None the less, a top member of the employers' association says a "national understanding" will be signed soon. In spite of divisions on both sides, the negotiators agree on the main points to be included in the "understanding." These are that employees, employers and the Government should jointly negotiate future wage and price increases and reduce the federal spending deficit and the country's \$117bn foreign debt. Their ultimate objective is to revitalise the economy by increasing investments. Growth should be zero this year. But, they say, inflation has to come down first. Prices have risen by 600 per cent over the last 12 months. Economists are forecasting an inflation rate of 300 per cent for this year, more than twice last year's 368 per cent. The talks are an example of Brazilians' penchant for conciliation. The unions and the employers are united by a common fear of hyper-inflation and its effects on wages and profits. And both sides are equally afraid of what the discredited Government of President Jose Sarney might do next. Mr Sarney has decreed two abortive price freezes in the last two years. Although the emergency policies did not stem inflation,

they utterly disorganised the economy. The current policy is to tackle the spending deficit, which the Government says will be equivalent to 4 per cent of GDP this year. The cuts might be followed by yet another price freeze closer to the end of the year. The Government has, from the wings, quietly encouraged the talks. However, the negotiators cannot decide when they should formally invite the Government to join. In fighting has slowed the talks. Mr Luis Eulalio de Dueno Vidal Filho, vice-president of the National Confederation of Industry, an employers' association, admitted that "personal and political problems are delaying the discussions." The left-wing CUT labour confederation has refused to have anything to do with the talks, organised by its moderate rivals. CUT's president, Mr Jair Meneghelli, said: "If the dominant classes really wanted to stop inflation, they could. Wages are not the cause of inflation, so we have nothing to debate." Instead, he says, the Government should repudiate the internal and external debts, improve social services and make good workers' past wage losses. Still, the consensus is that the Government alone cannot restore order to Brazil and that a "national understanding" is necessary to avoid worsening political as well as economic instability. According to Mr Vidal, that understanding is just a matter of time.

Rio's mayor surveys his bankrupt city from a rickety Beetle

Schools and hospitals are grinding to a halt, writes John Barham

MR SATURNINO Braga, Rio de Janeiro's haggard mayor, is desperately casting about for ways to handle his city's insolvency. Rio's decline began with the federal government's move to Brasilia in 1961. Since then, decades of mismanagement have worsened its financial health. Two weeks ago, the city was declared bankrupt. Its schools and public hospitals are grinding to a halt for lack of supplies, staff and, above all, money. Many of the city's unpaid 104,000 employees are on strike. Mr Braga's administration has a foreign debt of \$150m and is running a budget deficit of £188m, which together with other liabilities adds up to a \$44m hole in its finances. The humiliated mayor, who is an economist by training, has stopped using his official car and now drives about in his rickety Volkswagen Beetle. He is beseeching sympathetic state and federal treasuries for help. President Jose Sarney has approved a \$58m loan to rebuild areas devastated by severe flooding seven months ago. But he has refused to allow Mr Braga to issue \$8.5m in municipal bonds. Officials say the city is "owed" about \$190m in loans already approved by the fed-

eral government and international development agencies. But the money has not been disbursed yet. The World Bank is now releasing a \$75m loan to repair flood damage. The mayor has organised a bipartisan emergency committee of city notables to press the Government to ease Rio's financial plight. Mr Braga's former assistants blame him for the financial chaos. His ex-press secretary, Mr Tito Kyff, said he was not allowed to increase taxes, because it might endanger the Mayor's candidacy. Mr Jo Resende, in the November local elections. Mr Resende tearfully pulled out of the race the day his mentor announced the city's insolvency. Mr Cesar Maia, a former state finance secretary, said the Mayor was wrong to grant real wage increases to city workers. And instead of paying the payroll, he actually hired more employees. Mr Braga naturally rejects the criticism. He blames the floods and inflation, which is about 24 per cent a month. Rising prices have eroded tax revenues and increased costs. The four leading candidates in the elections in November all promise to fire employees, modernise the city bureaucracy and improve tax collection.

OVERSEAS NEWS

Merger wave transforms Australia's company mix

By Chris Sherwell in Sydney

SOME 220 of Australia's top 500 companies have been merged, acquired or displaced over the past six years, and the number will rise to more than 300 before the end of the decade, according to a study published yesterday.

Europe, the Soviet bloc and Asia-Pacific - with Australia moving closer to supply the growing Asia-Pacific region. A shift in Australia to a post-industrial services-related economy, but one in which Australia remains a leading producer and supplier of food, minerals and energy and offers high value-added services in the fields of tourism, education, health, finance and communications.

At the same time the rapid expansion of service industries has produced a strong growth in the number of small businesses in financial, recreational and personal services. The overall effect is an apparent "queezing" of middle-sized businesses.

Japanese industrial production up 2.2%

By Michio Nakamoto in Tokyo

JAPAN'S industrial output in August grew 2.2 per cent from July, according to a preliminary report by the Ministry of International Trade and Industry.

Construction rise Orders received by Japan's 50 leading construction companies rose 18.6 per cent in August from a year earlier to ¥1,372bn (\$6.1bn), the 17th consecutive month of year-on-year rises, the Construction Ministry said, Reuter reports from Tokyo.

Taiwan share row

About 800 investors angered by plunging share prices demonstrated outside Taiwan's Finance Ministry yesterday to demand that the Government purchase or withdraw its plan to reissue a stock profit tax.

US Kampuchea aid

The Reagan Administration intends to triple its aid to the non-communist Kampuchean opposition in an effort to blunt the influence of the communist Khmer Rouge guerrillas, the New York Times reported yesterday, according to Reuter in New York.

US banks in Asia

Leading US investment banks in New York are expanding bond selling operations to include Singapore and Hong Kong, despite limited interest shown in fixed income securities by Asian institutional investors outside Tokyo, Reuter reports from New York.

Australian coal deal

Coal miners in southern New South Wales have become the first to accept radical work practice changes in the industry, Reuter reports from Sydney.

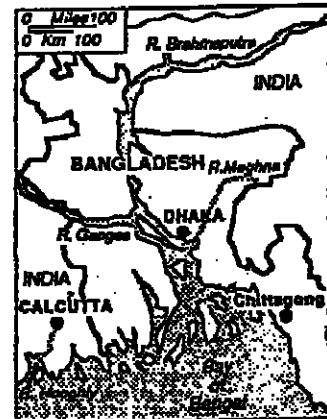
Rangoon strikers

The Burmese military government said more than half the employees of five ministries in Rangoon have returned from a pro-democracy strike, but a Western diplomat said yesterday the workers planned only to pick up their paychecks, AP writes from Rangoon.

Gandhi, Ershad revive river project

By David Housego in New Delhi

THE devastating floods that struck Bangladesh and northern India this year have spurred the two governments to revive plans for harnessing the Brahmaputra and Ganges rivers in what could be potentially one of the world's great engineering projects.



Mr Rajiv Gandhi, the Indian Prime Minister, and President Hussain Mohammed Ershad of Bangladesh agreed yesterday at the end of day-long talks in Delhi to set up a joint task force to study flood control and water resource management of the two rivers that flow into the Bay of Bengal.

India were the worst in more than 30 years - resulting from unusually heavy flows from the Brahmaputra coinciding with monsoon floods in the Ganges. But the pattern seems to repeat itself every quarter or half century.

from the Brahmaputra to the Ganges to irrigate north-east India and western Bangladesh. This was rejected by Bangladesh at the time as cutting large areas of cultivated land and implying too great an Indian domination. Subsequently Bangladesh put forward proposals for a smaller canal.

If the giant project ever got off the ground, the World Bank and major donor countries would almost certainly be asked to take part. It still has many hurdles to overcome. These include Chinese territorial claims in the part of Arunachal Pradesh in north-east India which would be flooded if the proposed dam there was constructed.

Japanese urged to lead normal lives despite emperor's illness

By Ian Rodger in Tokyo

JAPANESE government leaders yesterday urged people to carry on with their lives normally despite the critical illness of Emperor Hirohito.

The Government would face strong criticism if it did so. The postwar constitution imposed a clear separation of religion and state, with the aim of preventing the kind of adulation of the emperor that contributed to Japan's pre-war militarisation.

by Nissan Motor to withdraw a television commercial in which a model says, "How are you everyone?" They 45 per cent phrase for this means literally, "are you well?" and Nissan feared it might be disrespectful to the emperor.

Namibia talks end without agreement

By Michael Holman

TALKS on independence for Namibia and the withdrawal of foreign troops from Angola ended yesterday without agreement, but Angola, Cuba and South Africa agreed to hold further negotiations.

Howe to meet Velayati following Geneva talks

By William Dullforce in Geneva

SIR GEOFFREY HOWE, British Foreign Secretary, will meet Mr Ali Akbar Velayati, his Iranian counterpart, in New York today with the prospect for a normalisation of relations between the two countries apparently much improved after three days of talks between senior officials in Geneva.

Mr Robert Young, head of the Middle Eastern department in the British Foreign Office, left Geneva yesterday for New York to brief Sir Geoffrey on the results of the talks.

Philippines trust officials resign

TWO OF the three top executives in a Philippines trust set up to privatise assets controlled or foreclosed by government banks have resigned, claiming the body has lost credibility following changes in government policy mid-way through important sales negotiations, writes Richard Gourlay in Manila.

Timbuktu learns to live with drought

Nicholas Woodworth

AT the turn of the nineteenth century the Scottish explorer Mungo Park set out for the city of his dreams: Timbuktu. He never arrived. Most of his party perished during the overland trek from the Atlantic coast to the River Niger.

to bring a global view to the whole question," says Mr Brah Mahamane, executive secretary of the Inter-state Committee to Fight Sahelian Drought. Set up in 1978, the nine-country body, like many organisations in the Sahel today, has ceased seeing the solutions to desertification in merely technical terms.

to allow the population to recuperate from its almost total defeat of four years ago. Multilateral, bilateral, and non-governmental organisations (NGOs) have now developed a wide range of farming and livestock programmes suitable to the new climatic conditions.

for their animals. Tuareg groups are rebuilding small livestock herds decimated in the past. Motor pump irrigation projects. The UN Development Programme and Capital Development Fund have financed pumping schemes to bring water to large fertile plains no longer irrigated by the annual flood.

Pakistan Speaker recalls MPs

By Christina Lamb in Islamabad

THE politics of Pakistan have been plunged into further chaos by the announcement of the parliamentary Speaker that he has reconvened the dissolved National Assembly to start a new session on Sunday.

Speaker, a close supporter of Mr Mohammed Khan Junejo, the ousted Prime Minister, believes it nullifies all actions taken since May.

Israel hints Taba dispute may drag on

By Andrew Whitely in Jerusalem

AN international arbitration panel in Geneva ruled yesterday in favour of Egypt's claim to the Taba enclave, at the head of the Gulf of Aqaba, which has been held by Israel since 1967.

General prescribes big theme reform for Lebanon

Jim Muir meets a country's would-be saviour

LOOKING down on Beirut from the Defence Ministry at Yarz, in the wooded foothills to the east of the city, it must be easy to imagine that you can sort things out. Clustered in the heat-baze on the promontory of Ras Beirut, the capital is remote and inauspicious.



Aoun: big themes

But he may represent an opportunity. Too. The Syrians have been looking for someone who can deliver the Christian side in a settlement. At one time, they hoped Gen Aoun would crush the militia by force. He says he will not do that, but he does hope to deliver the militia politically if an agreement can be worked out.

He seems genuinely surprised at the Moslem boycott of his government, pointing out that the three officers concerned - a Sunni, a Shiite and a Druze - were close to their communities' political leaders, Dr Selim al-Hoss, Mr Nabih Berri and Mr Walid Jumblatt. The two other Christian officer-ministers are politically insignificant.

Gen Aoun insists that there can be no compromise with the rival administration in West Beirut and its Sunni Muslim acting Prime Minister, Dr al-Hoss.

Signalling the right-wing Likud party's intention to drag its feet over the implementation of the decision - at least until after the November 1 Israeli general election - he proclaimed: "Everything is open to negotiations."



Near Timbuktu: Digging a dike in a dry river bed to hold the water that arrives during the rainy season for irrigating crops

Niger's alluvial plain. New rice varieties and transplanting techniques have also improved results.

Livestock fodder cultivation. Most grazing land in the area has disappeared, but the NGO Veterinaires Sans Frontiers has introduced the systematic cultivation of bourbon, an edible aquatic wild plant growing along the banks of the river. With new food sources

Four years ago, not one village here produced any food at all. Today all are producing between 50 and 100 per cent of their food requirements. It is unlikely that the Niger River will ever return to Timbuktu. Some measure of confidence and security has, however, already begun flowing back.

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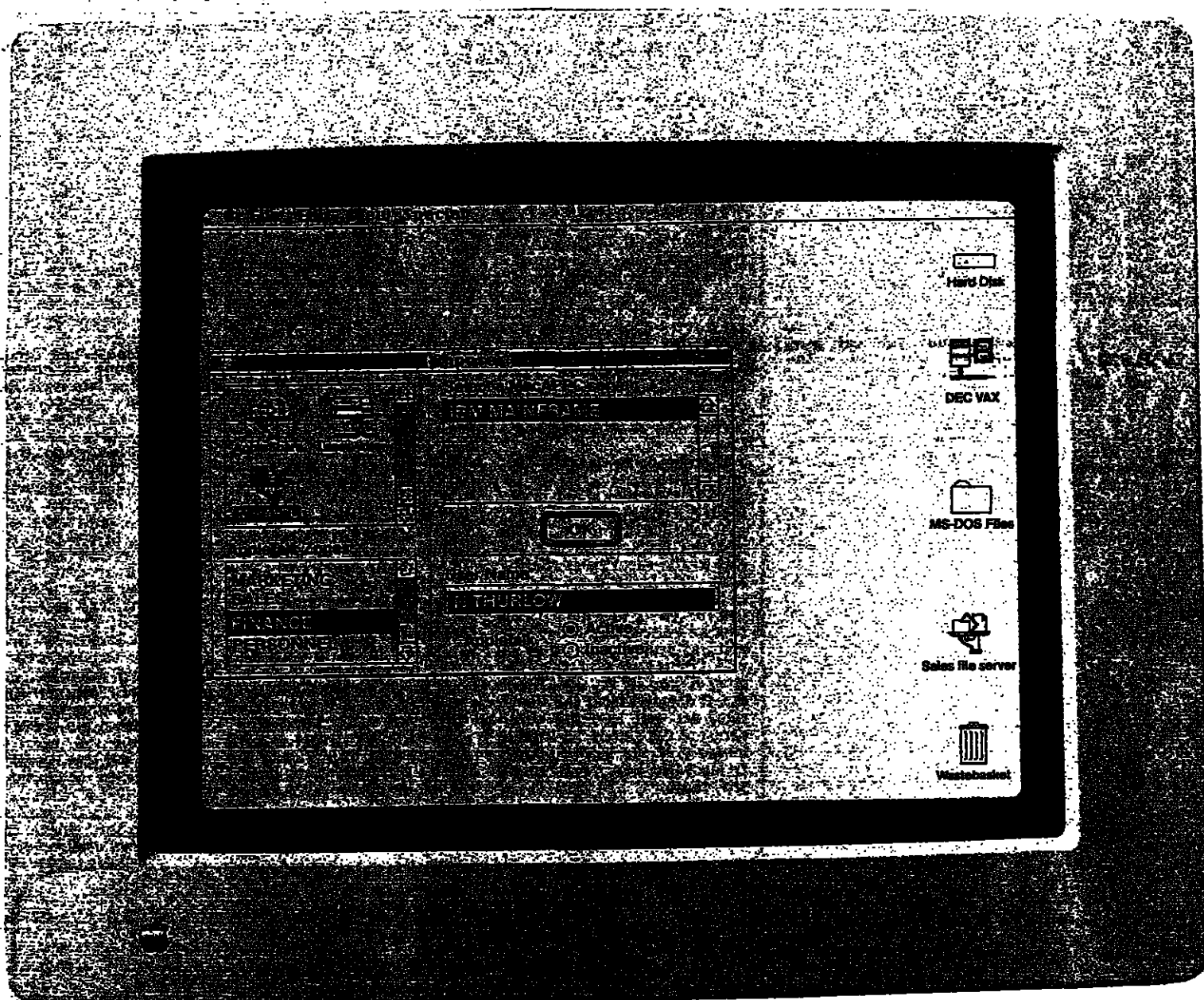
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all understand. Instead of the mumbo-jumbo of conventional personal computers, it uses easily understood words and symbols such as files, folders and menus which, with the help of a mouse, speeds and simplifies operating. That's the bright side of the coin.

However, if you're running a management information system, utilising conventional mini or mainframe technology, you must be only too well aware of the communication problems.

The very information your people need to do their jobs

WORLD TRADE NEWS

Westland offered deal to build helicopters in Egypt

By Tony Walker in Cairo

WESTLAND, the British helicopter maker, is being urged to drop legal action against the Arab Organisation of Industrialisation in return for a \$1bn joint venture in Egypt producing a sophisticated multipurpose helicopter.

Lieutenant General Ibrahim al-Orabi, chairman of the organisation and former commander in chief of the Egyptian armed forces, proposes a joint venture to produce the EH101 helicopter, developed by Westland and Agusta of Italy, as a way of overcoming a long-running dispute with the British company, Westland, which was involved in a joint venture with AOI to assemble the Lynx helicopter, began the litigation in 1979 following the withdrawal from AOI of Egypt's former partners - Saudi Arabia, Qatar and the United

Arab Emirates. Most Arab states suspended relations with Egypt after it signed the 1979 peace treaty with Israel.

Westland stopped the Lynx project following a statement by the Saudi Defence Minister Prince Sultan Bin Abdel-Aziz that the AOI was being dissolved. However, Egypt passed a special decree to preserve the AOL.

The organisation was established in 1974 with capital of \$1.04bn to manufacture defence equipment for the Arab world. The AOI's remaining capital, subscribed by the original partners, of \$700m is lodged in blocs of European bank accounts.

Westland confirmed yesterday that discussions were taking place with Egypt on a possible deal involving EH Industries, in which Westland

and Agusta have an equal shareholding. He confirmed that agreement on a joint venture between EHI and Egypt could lead Westland to drop its \$200m claim at the International Chamber of Commerce in Geneva.

The size of the market for the EH101 in Egypt and in the wider Arab world had not yet been clearly established. General Orabi said an added attraction was that Rolls Royce engines for the helicopter could be assembled in Cairo at the Arab British Engine Company in which Rolls Royce is a partner.

He said he would use part of AOI's funds in the blocked Egyptian accounts to invest in the EH101 project if EH Industries agreed to participate, and if agreement was reached with Egypt's former AOI partners.

Indonesia agrees barter deal with Iran

By John Murray Brown in Jakarta

INDONESIA and Iran have concluded a one year \$300m countertrade deal under which the Indonesian supply crude oil in exchange for rubber, paper products and tea. Iranian officials said the deal, signed after a visit to Tehran by Mr Soedradjad Djiwandono, Indonesia's junior trade minister, would enable Iran to procure essential Indonesian tropical products hitherto bought through third parties.

Under the accord, Indonesia will take an estimated 13.5m barrels of Iranian crude for its Cilacap refinery in central Java. Cilacap, which uses around 85,000 barrels of crude a day, will still need Saudi Arabian Light, officials said.

Indonesia launched an official countertrade policy in 1982 in limited form that involved Government contracts and still required cash transactions. Contracts worth about \$2bn have so far been concluded. Protocols have also been agreed with various Communist countries including Bulgaria and the Soviet Union, under which Indonesia sells various agricultural products in exchange for light industrial equipment.

This week's accord with Iran however marks the biggest barter deal to date and satisfies Indonesia's need to conserve scarce foreign exchange and diversify markets at a time when it is trying to boost exports outside its oil and gas sector. It follows a trip to Iran last year by trade minister Mr Rachmat Saleh. It was then mooted that Indonesia was keen to offer various products from IPTN, the loss-making aerospace industry.

Nissan row touches a raw nerve

Peter Montagnon on a dispute over local content requirements

THE row between Britain and France over Nissan cars made in the UK has touched a nerve in international trade politics which experts believe is likely to become increasingly sensitive.

At its heart has been the question of whether France has any legal right to impose unilateral local content requirements on cars that it imports from abroad. It argued that cars from Nissan's UK plant should be counted against an existing quota on imports of Japanese cars unless their European content is at least 80 per cent.

International rules on local content are generally reckoned to be ill-defined and undeveloped, but trade officials acknowledge that they are likely to play a growing role in trade disputes of the future because of the wider spread of cross-border investment flows and the rising importance of high-technology industries which draw on a multiplicity of sources for their final products.

Yet the General Agreement on Tariffs and Trade has no specific to define when and whether local content requirements can be used as an instrument of trade policy. The subject is covered vaguely by paragraph five of its Article III which was inserted originally to regulate butter production and outlaw the practice of establishing quantitative requirements on the production of goods. International convention on how to define where a product originates is also extremely vague.

The European Commission's statement yesterday that Nissan's UK-made cars count as European may well mean that this particular argument goes down in the records as a parochial European squabble. But the international community

could still become involved if, as many in the European car industry desire, a similar 80 per cent local content requirement is imposed on imports of Honda and Toyota vehicles from the US.

The basis for the French attempt to curtail imports of Nissan cars has been France's policy of limiting Japanese producers to a 3 per cent share of its home market. This has never been challenged in the courts but European Commission officials believe that such a quota is almost certainly illegal under both Gatt and the EC's own competition rules.

If France's legal position is weak, that of Britain is not necessarily uncontroversial.

The high labour content of cars makes local content extremely difficult to calculate - labour accounts for a large proportion of added-value in the manufacturing process, whereas the intention of countries like Britain which seek to impose local content requirements is that locally-produced components should be used in the manufacture.

The basic yardstick used by the EC to define whether a product is locally-made is that of the Kyoto Convention which it adopted in 1975. This states simply that the last substantial transformation which is economically justifiable should take place locally for a product to count as European, but it

Act (Fira) as a result of a judgment in 1984. This followed a complaint by the US that its investors were being forced to adopt a local procurement policy in return for authorisation to establish themselves in Canada. Gatt ruled that this had led to discrimination against US manufacturers because no such requirement was imposed on their Canadian counterparts.

Now the subject is set to come up again in the Uruguay Round of multilateral trade liberalisation talks under the heading of Trade Related Investment Measures (TRIMs). "There will be a need to clarify the relevance of the Fira decision in the light of the TRIMs negotiations," says Mr Peter Malcom of the Confederation of British Industry, who has followed the negotiations closely.

Ironically the question of TRIMs was introduced into the Uruguay Round at the behest of the US largely because it was concerned at investment restrictions frequently imposed by developing countries. A recent example is Pepsi Cola's venture in India where the US company was obliged, among other things, to manufacture concentrate for its soft drinks locally. Elsewhere, however, restrictions are commonplace, particularly on car and computer manufacture in Latin America.

In fact, the question of local content is now turning out to have considerable relevance to industrial countries too. The US, EC and Japan have all singled it out as an item for discussion in the Uruguay Round. Hopes in Geneva are high that new rules may emerge as a result, though for the time being at least the matter is attracting less attention than the more glamorous new issues of trade in services and intellectual property.

Ministers to review Gatt talks

By Peter Montagnon and William Dullforce

ABOUT 30 leading trade ministers are to meet in Islamabad, Pakistan, this weekend to assess progress in the Uruguay Round of multilateral trade negotiations ahead of the official mid-term review planned by the General Agreement on Tariffs and Trade (Gatt) for Montreal in December.

The two-day informal meeting will be attended by Mr Clayton Yetter, US Trade Representative and Mr Willy de Clercq, EC External Trade Commissioner, as well as trade ministers from many industrial and developing countries. Mr Hajime Tamura, Japan's Trade Minister is not expected to attend because of the illness of Emperor Hirohito.

However, participants warned yesterday against expectations that the group could make any negotiating breakthrough ahead of the Montreal meeting. Instead some said that frictions could arise because of the slow progress made by the Gatt in reforming trade in textiles.

The stand-off between the US and Europe over reform in world agriculture is likely to continue right up to the Montreal meeting and there is little chance of progress in Islamabad, trade diplomats say.

However, Mr Mahbub ul Haq, Pakistan's trade minister who will host the Islamabad meeting has already complained publicly about what he called a conspiracy between

industrial countries and some developing countries which were trying to stall talks on dismantling the Multi-Fibre Arrangement and incorporating world trade in textiles into normal Gatt rules.

No agenda has been set for the Islamabad meeting which could still result in some clear indications of the areas in which progress might be registered at the time of the mid-term review this December.

As far as trade in services, one of the other key Uruguay Round subjects, is concerned much depends on the ability of negotiators to find a way of linking the development aspirations of poorer countries into their proposals for worldwide liberalisation.

Industrialists, particularly in the high-technology sector, fear that this kind of arbitrary imposition of local content requirements is set to proliferate unless more systematic regulation can be introduced

Like most industrial countries Britain imposes no mandatory local content requirements on foreign companies seeking to set up plants, but in return for government financial assistance in Nissan it did secure from the Japanese company a commitment that its cars would initially contain 60 per cent EC content, rising to 80 per cent in 1991.

For some in the international trade community this already smacks of trade-distorting restriction, imposed not through mandatory requirement but using an unfair carrot of financial subsidy. More over the figures of 60 and 80 per cent were largely plucked out of thin air. There is nothing in international practice to confirm that such a specific percentage is required to ensure that a product is made in Europe.

makes no reference to specific percentages.

However the EC has overridden this in the past to introduce a specific 45 per cent by value and parts on tape-recorders and television sets. More recently it adopted a requirement that 40 per cent of parts used in assembly operations by Japanese companies found dumping in Europe should be of non-Japanese origin if assembled products were to escape dumping penalties as well as directly imported ones.

Industrialists, particularly in the high-technology sector, fear that this kind of arbitrary imposition of local content requirements is set to proliferate unless more systematic regulation can be introduced.

In one of the rare cases involving local content, Gatt did force changes in Canada's Foreign Investment Review

Japan digs in for rice fight

By Ian Rodger in Tokyo

JAPAN is digging in for a long and bitter campaign to protect its rice industry.

The message from Tokyo is that if the US wants a fight on rice, it will have a much tougher time than on previous trade issues.

Earlier this month, the US Rice Millers Association petitioned the US Trade Representative to open negotiations under the new strengthened trade legislation to phase open Japan's rice market. The Trade Representative has to decide whether to do this just a week before the presidential election.

Election or no, leading Japanese politicians are warning the US that this could undermine the entire US-Japan bilateral relationship, including the military links which are crucial to the security of the Far East. "We have just explained to the Japanese people that we had to open the market for beef and citrus and other agricultural products and that we will discuss rice in the Uruguay Round. If we now face a direct demand from the US on rice, we will lose the confidence of the people," a leading member of the ruling Liberal Democratic Party (LDP) said yesterday.

Rice growing is considered a vital part of Japan's rural economy and, to some, part of its cultural and religious heritage. The strength of feeling on the subject is striking. For example, within six days of the RMA resolution, the Japanese parliament unanimously rejected liberalisation.

Yesterday, a Japanese newspaper reported that the US government was seeking an assurance that Japan would permit imports of 800,000 tonnes of rice a year, about 3 per cent of total demand. Within hours, the Government denied that it had received any such demand.

Rice growing is important to the ruling LDP, which depends heavily on rural support. LDP politicians, who had been embarrassed about this connection, are now flouting it. "If the rice market had to be opened, we would lose confidence in the regions. If the Japan Socialist Party then became the Government, this would have a detrimental effect on relations with the US," the LDP politician said yesterday. The JSP opposes the Japan-US Security Treaty.

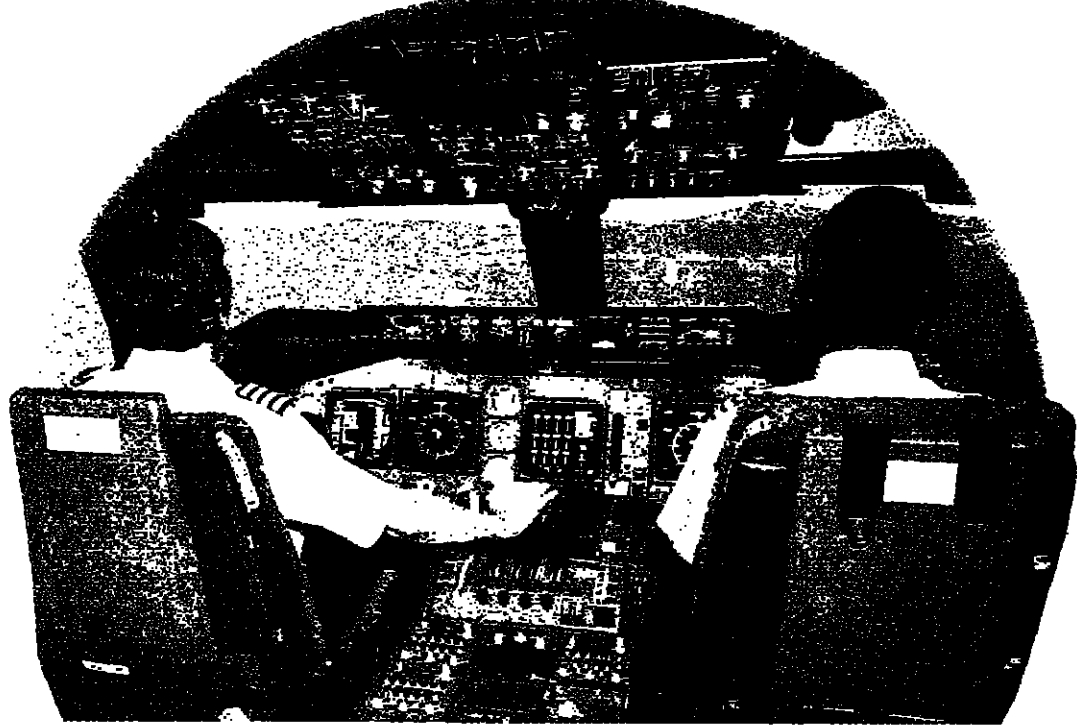
Tokyo believes that the US Government, or at least the Reagan administration, understands the sensitivity of the

rice issue. Indeed, many US officials believe that it would not only be politically dangerous to pursue it but also counterproductive. They say that even if the market was opened, producers from south-east Asian countries rather than US ones would benefit.

Until recently, the Japanese thought they had an understanding with the US that the issue would not be raised bilaterally, but in the Gatt talks. However, the RMA petition upset them, provoking hard-line statements that they would never open the rice market. That in turn put the Trade Representative in a difficult position. If the Japanese were so obtuse, then obviously they had no intention of doing anything in the Gatt negotiations. In that light, it has become more difficult to turn down the RMA petition. To make matters more complicated, Vice President George Bush has backed the petition.

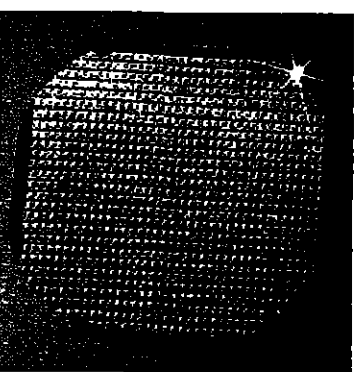
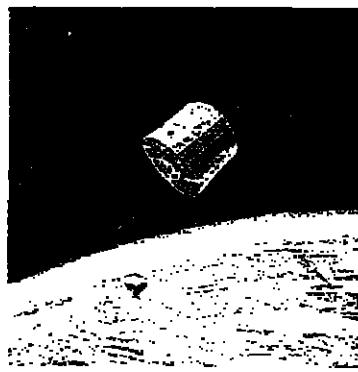
On the basis of past US-Japan trade disputes, the US could well expect the Japanese to give some ground at this point to help the Trade Representative justify refusing the petition. But this time, there is not a hint of conciliation from Tokyo.

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As Woody Allen also said: "I don't want to achieve immortality through my work,

I want to achieve it through not dying."

TVS ENTERTAINMENT

UK NEWS

Generating board starts trials with foreign coal

By Maurice Samuelson

THE CENTRAL Electricity Generating Board has begun moving trial shipments of foreign coal to inland power stations as part of its rehearsals for privatisation of the electricity industry.

British Coal is putting a brave face on these activities. CEGB, its main customer, takes nearly 80 per cent of its annual output.

However, officials privately believe that the CEGB is attempting in a less flamboyant way what has already been carried out by the South of Scotland Electricity Board, which has ordered 1m tonnes of foreign coal this year.

The latest port trials are designed to give the CEGB experience of using new supply routes. They are also a thinly veiled warning that if the price of foreign coal would be burned in future.

The CEGB expects British Coal to remain by far its biggest supplier. However, private coal traders believe it sees scope to import about 15m tonnes of coal a year once it has been privatised and split up into two competing generating concerns.

Yesterday, the CEGB confirmed that it landed 20,000 tonnes of coal at Newport, South Wales, two weeks ago for delivery to Didcot power station in Oxfordshire.

It is also understood to be planning coal movements to Ironbridge power station, Shropshire, through Liverpool. Last month, Liverpool's Gladstone dock unloaded 20,000 tonnes of coal on the same vessel that brought in the Newport consignment. It was bound for Fiddler's Ferry

power station on Merseyside.

The coal was delivered from the CEGB's large stockpile of Australian coal in the Netherlands which is usually used to supply Thames estuary power stations. However, the trials also provide experience of shipping coal directly from Australia and other places without transshipping it through the Netherlands.

The CEGB, which burns nearly 80m tonnes of coal a year, currently imports only about 1m tonnes of coal for use by Thames estuary power stations.

Under the joint understanding between the two industries, British Coal already supplies 10m tonnes of coal a year at prices pegged to that of international supplies. The volume reflects the amount which British ports could land from ocean going vessels.

However, this amount could be increased by up to about 30m tonnes a year if various port expansion plans, especially on the east coast of England, come to fruition.

Britain imported 2.8m tonnes of coal between May and July this year, more than a third more than in the same quarter of 1987, according to the Department of Energy's monthly Energy Trends, published yesterday.

In the same period, British exports of coal fell by 14 per cent to under 500,000 tonnes.

Apart from a widening trade gap, however, the British coal industry turned in a series of good production figures. Total output for the quarter was up 5.1 per cent, with deep mines' production up by 3.9 per cent and opencast pits by 12.8 per cent.

Growth of money in circulation 'above 8%'

By Simon Holberton, Economics Staff

THE NARROW measure of Britain's money supply, M0, continued to accelerate in September and probably grew at an annual rate in excess of 8 per cent. City of London economists said yesterday after analysing the latest weekly banking figures.

The average of a sample of economists' forecasts suggests that M0 will grow by 8.1 per cent in September.

The sample ranges from 7.9 per cent to 8.3 per cent. M0 measures notes and coins in circulation and banks' balances with the Bank of England.

Few economists said they believed that the rise in M0's growth to above 8 per cent means that consumption and economic activity is speeding up.

Economists agreed, however, that the recent rises in interest rates have not yet had an effect on the pace of domestic demand expansion, which shows no sign of moderation.

The Bank of England published its weekly banking returns yesterday, which shows the level of bank notes in issue, for the fourth week of September.

Bank notes account for 85 per cent of M0 and analysts can use the measurement of notes in circulation to determine the growth of the monetary aggregate with reasonable accuracy.

In the March budget the Treasury set a target range for M0's growth of 1 to 5 per cent. It has consistently grown outside that range, despite the Treasury's prediction that its growth rate would begin to fall after June.

Bitter pill for big drugs groups to swallow

Copycat makers of generic products are stirring up the industry, writes Peter Marsh

GENERIC (UK), a leading producer of generic copies of branded pharmaceuticals, operates from a series of nondescript buildings next to the railway station at Potters Bar, just north of London.

Only 10 miles further north, Glaxo, Britain's biggest drug company, is building a gleaming \$500m research centre on a 70-acre site on the outskirts of Stevenage.

The companies may be only a short distance away from each other, but they are light years apart when it comes to their operating methods.

Glaxo has a worldwide army of 4,200 researchers who this year will work their way through \$300m in the quest for new branded drugs.

Generics' total staff of 100, meanwhile, attempts to capitalise on the research of the big drug groups by selling copies of formulations which are already on the market.

It is all perfectly legal. Generics (UK) - and the 10 or so other big producers of generic medications in Britain - wait for the patents on the branded products to run out and then apply for a licence to produce copies, usually at a significantly lower price.

In recent years the generic drug companies have stirred up a mixture of antipathy and grudging admiration among the mainstream, research-based pharmaceutical companies.

Besides Glaxo, other big UK groups in this business include Imperial Chemical Industries, the country's biggest chemicals group, Beecham and Wellcome.

The smaller companies are resented for eating into the \$bn annual sales of the big groups.

won respect for their aggressive marketing methods, which have led in recent years to a sharp rise in sales of generic drugs. They now account for about 10 per cent of Britain's annual pharmaceutical spending of \$1.9bn.

Generics (UK) has been at the forefront of the smaller groups' forays. The company, with annual sales of about \$15m, prides itself on its ability to fight the bigger companies.

"We run a tight organisation and work as a team," says Mr Michael Clark, a Generics (UK) director. He recalls toiling through last Christmas Day to tackle the paperwork needed to bring a new generic product onto the market as quickly as possible.

Sitting uneasily in the middle of the struggle is the Health Department.

In the pharmaceuticals field the department has no fewer than three separate roles, the frequently contradictory elements of which can spark off renewed conflicts between the two rival sectors of the industry.

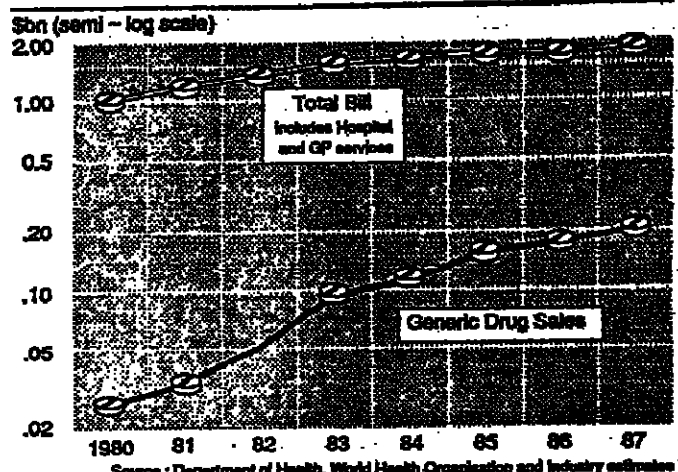
As the paymaster for Britain's drugs spending, the department has a strong interest in promoting the generics industry with a view to holding down costs.

At the same time, however, it has a strategic job in safeguarding the interests of attempting to ensure medications are safe and work as advertised.

Due to the highly complex tests required to check on these points before a drug enters the market, development times for new, branded products may be as long as 12 years, compared to a fraction of this period a decade ago.

Development costs for a new drug today can often be as

UK Drugs purchases



Source: Department of Health, World Health Organisation and industry estimates

high as \$50m. The longer development cycles inevitably cut into the patient protection afforded to a new product when it eventually goes on sale.

Patents offer protection of a drug for about 20 years, as a European norm, but this protection is also generally taken at the outset of the product's development.

One effect is to intensify the resentment felt by the research-based groups when generic companies bring out copies of a branded drug only a few years after the substance has entered the market.

This can be well before they have had the chance to recoup their high spending on the product, or so the big companies allege.

Six months ago the Health Department asked Touche Ross, the accountancy and management consultant group, to find out how the market for generic medications could be made more effective.

sure is unlikely to be repeated. Other, less controversial, suggestions likely to be canvassed in the Touche Ross report include general efforts to persuade more doctors to prescribe generic products rather than the equivalent branded version.

One method could be to shorten the long-winded names usually given to generic medications, in the hope that doctors would find these easier to remember and thus prescribe them more often.

The study could also attempt to improve the poor image that the generics industry often has, at least among the research-based pharmaceutical companies.

Some observers believe that many generic producers lack the technical sophistication to turn out their medications to the same standards as the big drug companies - even though the products themselves have the same chemical formula.

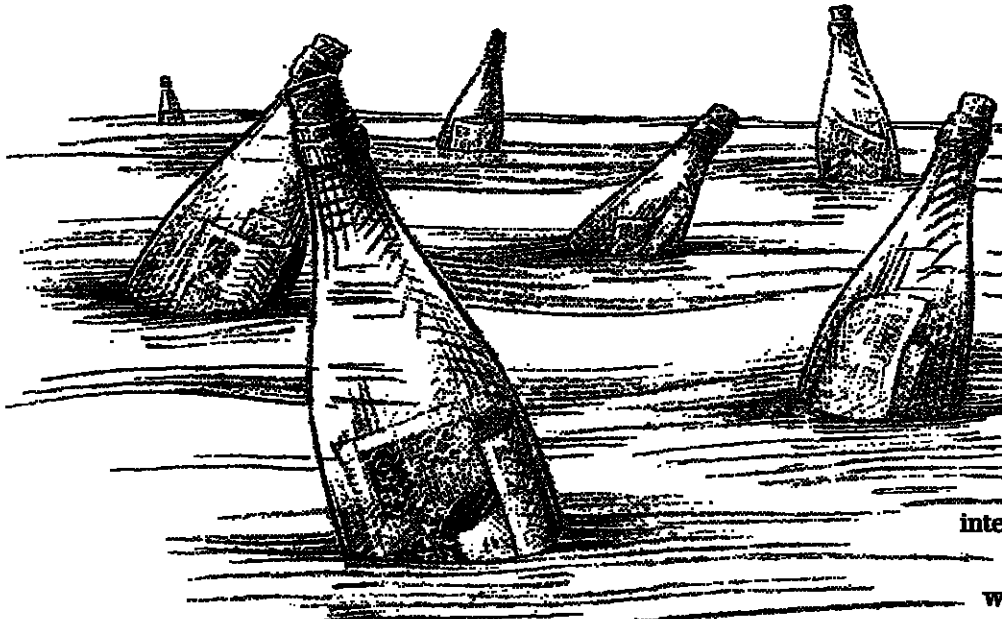
The Health Department says, however, that the Touche Ross report contains confidential commercial information and so will probably not be published.

Despite this, the study is likely to touch off a further round of jousting between the two sectors of the drugs industry whose repercussions will be felt beyond Westminster.

Generic companies often complain that their margins are under heavy pressure due to the extent of the competition in the industry.

Also linked to the often meagre profits of the generics sector are the distribution methods generally used in the business, in which wholesalers grab a large chunk of the sales price for a drug on its way from the supplier to the patient.

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The deal that snagged a shipyard's lifeline

Kevin Brown charts the course of a business disaster

JUST OVER a year ago, a delegation from British Shipbuilders arrived in Copenhagen for the naming ceremony of the first of a new class of up to 36 small ferries to be built in the UK for Danish owners.

The ceremony was a shambles. The ship was late because of bad weather in the North Sea, most of the guests were drenched by a thunderstorm, and many of the British party went home early.

The party in Copenhagen heralded the beginning of the end for shipbuilding on Wearside, in north-east England - where more than half the world's tonnage was once built - and of the UK's lingering pretensions to being a major shipbuilding nation.

The route to disaster started early in 1986. Mr Peter Zacchi, a Danish naval architect based in Sunderland, approached North East Shipbuilders (NESL), British Shipbuilders' Sunderland subsidiary, with a prospective order for 24 small ferries, with an option for a further 12.

The ferries had been designed by Mr Zacchi for use in the crowded waters around the Danish islands and were regarded by British Shipbuilders as technically sound.

Unusually, however, the terms presented by Mr Zacchi included complete technical and equipment specifications, detailed lists of suppliers and sub-contractors to be used, and specific instructions to the builders - right down to the number of coats of paint to be used.

The deal had another unusual aspect. The first four ships were to be built for a company called Molarco, the next four for VR Shipping, and a third group of four for Scandinavian Auto Transport (later renamed PZ Shipping). The final 12 were to be built for VR Shipping.

All these companies were controlled by Mr Henrik Johansen, a Danish property developer and entrepreneur who planned to operate around half the ships through his own companies, and sell the rest to other Danish owners.

Mr Johansen's idea was to use the ferries to compete with the bigger and more costly state-owned ferries on the trade routes between Scandinavia and West Germany.

In the event only two ships were delivered, to Molarco, both of which are being operated by VR Shipping on routes between Denmark and West Germany. Eleven more were launched, but have never left the Weir, and two more are in the final stages of construction. The remaining nine will almost certainly never be built.

What went wrong? The order was surrounded by controversy even before it was placed. It was signed by Mr Zacchi as an agent for the companies controlled by Mr Johansen but it was never clear how

it was to be financed. There were repeated suggestions in Danish newspapers that it was not viable. British Shipbuilders was even warned against the order by Danish journalists at a stormy press conference announcing the contract but NESL desperately needed the order.

The British shipbuilding company had been formed by the merger of two famous yards - Sunderland Shipbuilders and Austin & Pickersgill - and managers were finding it difficult to merge two fiercely independent workforces.

At the same time, the order book was almost empty. A crane barge and the second of two cargo ships for West Germany were nearing completion; the only other work was two diving support vessels for Stena of Sweden.

To Mr George Parker, then chief executive of NESL, Mr Zacchi's proposals looked like a heaven-sent opportunity to buy time to reorganise. He signed the order in July 1986, with approval from British Shipbuilders' head office.

Less than a year later, and just before the contract began to go publicly wrong, he was removed for failing to merge the two companies to the satisfaction of British Shipbuilders.

Mr Parker was replaced by Mr Bill Scott, a highly regarded manager from Clark Kinzaid, British Shipbuilders' engine-building subsidiary, and it was Mr Scott who led the NESL party to Copenhagen for the first naming ceremony.

Meanwhile, Mr John Lister, a former chairman of ICI Fibres, had taken over as chairman of British Shipbuilders in May 1987 and was drawing up plans to staunch the corporation's losses. But it was already too late.

In September last year, Mr Lister met Mr Zacchi and Mr Johansen, and agreed to make a series of modifications to accommodate complaints about the performance of the first ship.

"Everything that could be done to save the contract was done," a British Shipbuilders executive said later. But in October, Mr Johansen refused to accept further ships, citing

alleged defects in the first of the series. This is denied by British Shipbuilders, which says problems were due to the tight specifications in the contract - rusting decks, for example, are the result of Mr Zacchi's insistence that only one coat of paint should be used, the corporation says.

In February this year, British Shipbuilders offered to reschedule stage payments relating to the contract, but declared Mr Johansen in default after receiving no reply.

Two weeks later, after further fruitless negotiations, British Shipbuilders cancelled most of the contracts in an attempt to force Mr Johansen to negotiate if he still wanted the ships.

The result is a legal tangle - two ships retained by the corporation are technically the property of Molarco, and a contract for one ship for VR Shipping remains in force.

The remaining ships are the subject of protracted legal debate. The collapse of the ferries contract was the final straw for the Government, which resolved to get out of shipbuilding by breaking up British Shipbuilders and privatising or closing its component parts.

NESL, left without orders, has continued to pursue a £100m Cuban order for 10 ships but the contract is dependent on £25m of Government subsidies, which ministers have made clear will not be provided unless the company can be sold to the private sector.

With less than 24 hours left before the deadline for bids, that was looking increasingly unlikely yesterday.

Ministers were quietly sounding out candidates to chair an enterprise board to find new jobs for the workforce.

There is no clear explanation of why British Shipbuilders accepted such a controversial order.

"The yard had more than 3,000 workers and no work. It was just sheer desperation - shift or bust. Unfortunately it turned out to be bust," said one manager.

UK NEWS

House of Fraser report referred to fraud office

By David Waller

THE Department of Trade and Industry said yesterday that its as yet unpublished report into House of Fraser Holdings had been referred to the Serious Frauds Office.

Lourho, the international trading group headed by Mr "Tim" Rowland, yesterday claimed that the SFO's involvement gave the first real indication of the gravity of the DTI's findings.

DTI inspectors were appointed in April 1987 after a vociferous lobbying campaign by Mr Rowland, chief executive of Lourho, whose long-standing ambition to control House of Fraser - the stores group which owns Harrods - was frustrated when the Egyptian-born Al Fayed brothers won an agreed \$550m bid for the company in 1988.

The 750-page report was completed in July this year and the DTI has never given any indication of its contents. But yesterday Lourho claimed that the SFO's involvement "highlights the need to refer the Fayed bid for House of Fraser to the Monopolies and Mergers Commission."

This interpretation was challenged by the Al Fayed. "Given that Lourho has cried fraud almost every week for the last few years," a statement from House of Fraser read, "and given that Lourho has been exerting enormous pressure on the Secretary of State (Lord Young) ever since the inspectors reported to him, it is not in the least surprising that a careful Secretary of State should seek the views of the Serious Frauds Office."

"We have never been concerned by his (Mr Rowland's) attacks and we are not concerned at this latest development."

The SFO first became involved in July and August of this year when the DTI gave it

certain, unidentified parts of the report for its consideration. Yesterday, the SFO's involvement was made public for the first time when it said that further time was needed for investigation and consideration of the case.

In view of this, the DTI said that the report could not yet be published, but that it would be "as soon as circumstances permit." It will bear in mind the statutory period of six months for a reference to the MMC, which expires in January next year.

Lourho's disappointment that the report would not be published immediately was outweighed by its conviction that the inspectors would come down heavily in its favour.

The international trading group first moved on House of Fraser in 1977, and in 1981 was prevented by the MMC from making a full bid. Mr Rowland was angered at the speed with which the Al Fayed's received official clearance for their successful bid - the bid was waved through without a reference to the MMC in just 10 days.

Mr Rowland has persistently alleged that the Al Fayed's led to the authorities about the source of their wealth and about their backgrounds.

The report was conducted by Mr Philip Heslop, a barrister, and Mr Hugh Aldous, an accountant. Earlier this year, there was much speculation that their findings would be published in August.

Lourho's shares have risen sharply since the summer and last week it emerged that Mr Asher Edelman, a US corporate raider, had accumulated a near 5 per cent in the company.

Over recent days the share price has risen even higher as it emerged that the company had not ruled out a management buyout or assets sale.

SLD leader rounds on Thatcher's record

By Charles Hodgson

MR PADDY ASHDOWN, Social and Liberal Democratic party leader, yesterday delighted delegates at the Democrats' conference at Blackpool with a sharp attack on the Government's economic and civil liberties record.

Mr Ashdown also pledged that the new party's "march to power" had begun.

His keynote speech was concentrated on the Government, criticising its handling of the economy and its "narrow nationalism." He accused it of undermining democracy and liberty.

Mr Ashdown avoided direct reference to the Social Democrats and ruled out "compromises or coalitions."

He reserved particular criticism for Mr Nigel Lawson, the Chancellor of the Exchequer, attacking the budget tax cuts and recent sharp rises in interest rates.

He called for an autumn mini-budget that ruled out further tax cuts and reined in personal borrowing.

Mr Ashdown avoided mention of defence, the issue on which past Social Democrat and Liberal policies have most sharply differed.

Failures turned incident into catastrophe

Steven Butler lists a timetable of tragedy on the Piper platform

INTERIM findings by the Department of Energy on the technical causes of the Piper Alpha disaster paint a frightening picture in which a rapid sequence of human and equipment failure in the end gave those on board the stricken oil platform little chance of survival.

Although safety systems were obviously inadequate to deal with the full-blown emergency once it developed, it is more telling that almost every significant safety device failed at each important stage of events, allowing what might have been contained as a serious incident to become a catastrophe, with the loss of 167 lives.

Mr Jim Petrie, who heads the technical inquiry, has put the most likely cause of the initial blast on the platform to failure of the most basic procedures - control room operators were unaware that maintenance was being performed on an injection pump for condensate, a hydrocarbon that condenses during gas production.

The pump's pressure relief valve had been removed and it may have been activated when an alternate pump failed. The injection pump is used to spike condensate into an oil pipeline for export from the platform.

After the initial explosion almost every emergency system on the platform failed to

operate, including the massive dousing pumps that could have flooded the platform with seawater and contained the severity of the fires. Even two lifeboats failed to inflate when platform workers reached points where they could have escaped. They were forced to find other routes into the sea, where calm conditions fortunately aided rescue attempts.

Most workers on the platform apparently perished, however, when they were unable to escape from the accommodation unit where they had mustered.

The sequence of events came as follows:

21:40: The southwest gas flare on the platform roared larger than normal.

21:50: Condensate pump trips off with alarm coming up on control room.

21:54: Condensate pump cannot be restarted.

21:56: Low-level gas alarms from compressor area sound and two centrifugal compressors trip off.

21:57: Two further low level gas alarms go off, and a third compressor trips off. A squealing or rushing noise identified as escaping gas heard, followed by a fourth low gas alarm and a high gas alarm.

21:58: Initial explosion penetrates control room wall, knocking operators off their feet, and leading to failure of main and back-up emergency

power systems. Oil pipes believed ruptured. Mayday call issued from the MV Lowland Cavalier, alongside Piper Alpha.

22:00: Emergency lighting system activates. Oil seen running outside the main oil line. Small fire spotted. A diving decompression chamber door blown off hinges. Emergency lighting comes on.

22:00: Piper Alpha sends Mayday. No alarms or public address announcements sounded on Piper Alpha at any time, possibly due to system failure. Sprinklers and deluge systems fail to operate. These had been switched on to manual because of diver activity near intake valves, and no attempt is known to have been made to turn them on. Fire and smoke spread uninhibited through the platform.

22:04: Personnel unable to reach emergency lifeboats because of the fire and smoke.

22:06: Series of small explosions throughout the platform. Radio messages that platform is being abandoned.

22:10: Tartan, the nearby platform, shuts down gas exports to Piper Alpha after noting rise in pressure, indicating a closure of valves on Piper Alpha.

22:20: Emergency lighting fails in the accommodation unit.

22:22: A huge explosion engulfs the entire installation

in a fireball, believed to be caused by a blow-back of gas from Tartan as gas lines are ruptured on Piper Alpha.

22:24: A broker riser is seen pointing down at an angle of 45 degrees and burning "like a torch."

22:35: West side of the platform deck drops about 30 feet.

22:52: Violent explosion engulfs rescue craft in a fire ball.

23:00: Fire seen on surface of the sea, 150 metres from the platform. Occidental subsequently instructs depressurising of main gas export line from the MCP 01 platform, 30 miles away. However, rapid depressurisation indicates gas was escaping at Piper Alpha, either because of the failure of an isolation valve or a rupture of the pipeline.

23:30: Tartan finds no pressure in gas export line to Piper Alpha as it attempts to depressurise, indicating that all had escaped to fuel the fire at Piper Alpha.

Midnight: Sea reported bubbling with gas.

00:30: Accommodation block sinks into the sea.

01:00: Gas erupts and ignites on the surface of the sea and the structure of Piper Alpha collapses.

The findings of Mr Petrie's team are recognised as tentative. A number of commissioned studies have yet to be received. The leak from the

condensate injection pump is put forth as a preferred theory. Alternatively, excess liquid condensate in a drum may have carried over into a gas compressor, thereby damaging it and causing a leak. A retrieval of debris from the ocean floor may provide definitive clues.

But regardless of the initial cause of the disaster, it will clearly be the safety systems designed to cope with incidents that come under severe scrutiny.

In a letter to the industry, Mr Petrie has highlighted six areas for urgent attention, including:

1. Permit work systems, which must operate so that supervisory staff are aware of all work in progress and that equipment is physically secured.

2. Automatic initiation of fire fighting systems, so that if systems are not automatic there are at least procedures for rapid action.

3. Operability of lifeboats must be assured and evacuation routes must be adequate in emergency, and should possibly be enclosed to provide protection from fire and smoke.

4. Integrity of emergency systems must be protected against damage, with back-up systems located separately.

5. Venting or other systems to minimise damage in the event of explosions must be reassessed.

City watchdog in deficit

By Eric Short

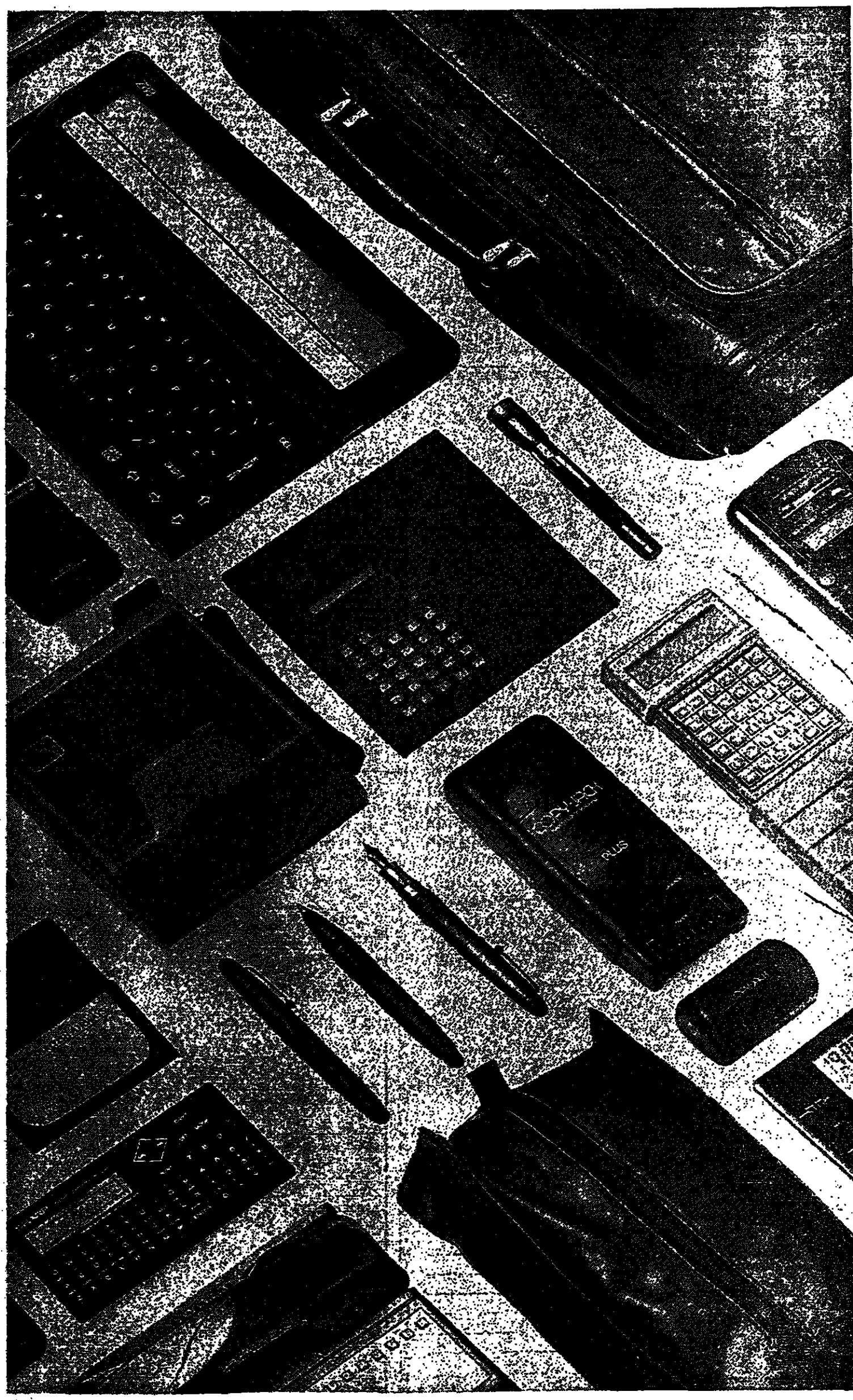
FIMBRA (the Financial Intermediaries, Managers and Brokers Regulatory Association), the self-regulating organisation responsible for policing small independent investment brokers and intermediaries under Britain's new financial services framework, is £3.4m in the red.

Its report and accounts for the nine months to March 31,

1988, published yesterday, showed that the deficit rose in this period from £1.1m.

Lord Eton, chairman of Fimbra, said the increase was attributable entirely to reduced income received because of the delay in implementing the 1986 Financial Services Act.

Reports that Fimbra was having financial problems emerged two months ago



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MANAGEMENT

The attraction of mature women

Companies will increasingly need to entice a valuable resource back to work. John Gapper reports

Women have babies. They leave work to bear them, and they often do not return. The number of women proportional to the number of men in any company therefore tends to diminish the more senior the grade. The men remain in charge.

This simple argument has for many years bedevilled the advocates of equal opportunities, enabling any company to argue that the reason why all its senior managers are men is the propensity of women to give birth. In the 1980s, such complacency is likely to go out of fashion.

Market forces are already encouraging employers to rethink their attitudes to women. The fall in the number of young people across Europe is putting pressure on companies to find alternative recruitment sources, and the most obvious target will be women returning to work after having children.

"I think the problem of declining school rolls is going to open up a whole spectrum of equal opportunities. It's just a shame that it took something like this to do it," says Brian Goulsbra, group personnel manager at Littlewoods, the British retail chain.

As the problem of skilled labour shortages adds to worries in the south-east region of Britain, employers are thinking hard about the problem. J. Sainsbury, the supermarket chain, believes it will shortly be unable to find many of the 9,000 16- to 19-year-olds it now employs at evenings and weekends.

Labour market projections show that "women returners" will be one of the most fruitful sources of workers for employers who can attract them. The number of working women aged 25 to 44 is expected to rise by 900,000 by 1994, while the labour force as a whole grows by 400,000 less.

There is already evidence that women form a rapidly growing part of the labour market. Training Commission figures show that women workers accounted for 270,000 of the 611,000 growth in the

people in work in the year to March. About 141,000 of them were in full-time employment.

The catch - as many employers have found in the past - is that mature women can be harder to attract than the young. The requirement to work full-time, difficulties in returning to work after having children, and the lack of child care facilities either at or outside work, can all alienate working mothers.

A number of employers have taken initiatives targeted at working mothers, which are now attracting interest. The most striking of recent moves has been the setting up of two pilot workplace nursery schemes by Midland Bank at Beckenham in Kent and Sheffield, South Yorkshire.

Care for the under-fives

Mothers in Britain are starting from a weaker position than those in most other European countries. According to a recent European Commission report, Britain is one of the least generous providers of care for the under-fives. There is public provision for just under 1 per cent of them.

Countries such as France, Denmark and the Netherlands make educational provision for between 20 and 30 per cent of their two-year-olds, while Britain makes none. Britain is also behind in putting into practice an EC draft directive that parental leave from work should be available to men and women.

Experiments made by companies have aimed to plug that gap for their employees. A report prepared for the Training Commission two years ago identified a variety of strategies that companies could use to retain women employees who have babies or attract other women returners.

They were: setting up a workplace nursery; introducing career break schemes to give extended leave; bringing in more flexible working patterns, including part-time work and job sharing; encouraging self-help and counselling

groups among women employees; allowing employees to work from home.

Few companies have yet taken the plunge of setting up a workplace nursery, many believing the cost of providing a service for all working mothers to be prohibitive. However, Midland's initiative has stimulated interest, and Lloyds Bank and Sainsbury are both considering the idea.

The Workplace Nurseries Campaign, an independent pressure group, estimates the cost of setting up a 24-place nursery at up to £35,000. One company that manages on less is Spencer, a maker of women's foundation wear in Banbury, Oxfordshire. The company estimates that its 20-place nursery costs £17,000 a year.

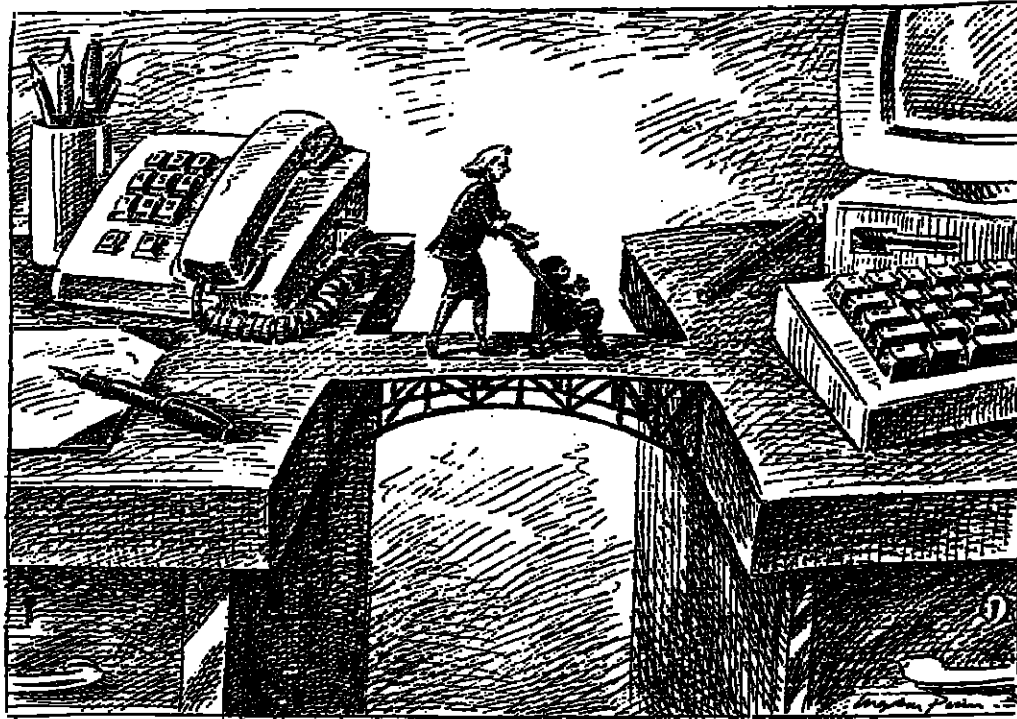
A more common response has been to bring in a formal career break scheme allowing women (and usually men) to take a break of up to five years from work with a guarantee of a job in a similar grade at the end of that time. Many such schemes have so far been restricted to higher grades.

The large clearing banks, with a majority of women staff, all have career break schemes built on top of statutory maternity leave. Barclays offers two choices to its senior clerical staff with five years' service, satisfactory performance ratings, and a banking qualification if relevant.

They can either take a full break from work for up to two years, or work part-time during that period. If they take a full break, they must agree to work a minimum of two weeks a year to retain their skills. They are sent some staff circulars and invited to events such as Christmas parties.

The importance of keeping contact is emphasised in Confederation of British Industry guidance as the most important factor contributing to the success of such breaks. "We try not to let them feel forgotten," says Susan Field, Barclays' Equal Opportunities Manager.

However, most women taking career breaks from Barclays choose to work part-time. They have to work a minimum



of 14 hours a week, and in return are allowed to continue with all the benefits given to full-time staff such as pensions and reduced cost housing loans.

Yet the take-up of the Barclays scheme also illustrates the small scale of many career break schemes. There are currently 30 women on it out of 85,000 employees in the UK, 60 per cent of whom are women. Field says the bank constantly reviews whether to extend it, but it is felt adequate at the moment.

British Gas operates a broader Skills Retention Programme under which women are given a series of options over and above the legal right to return to a job after the statutory maternity leave. The first - open to all grades - is to return to work after maternity leave, but on a new working pattern involving part-time working or job sharing.

The second, also open to all grades, is a reservist scheme under which they can take a break of up to five years. Local managers keep in touch with them during that time, and they are sent details of all vacancies. A job is not guaranteed, but they are given preference over outside candidates.

Finally, there is a formal career break scheme guaranteeing a return job, which is open only to women over the grade of clerical supervisor with three years' service. During a break of two years, they must keep up their training. The job they return to may also be in a different place. However, Sainsbury has just

relaxed its traditional requirement of job mobility in an effort to attract and retain more women among the company's 7,000 managers.

Demand for middle of day

Flexibility of shift patterns is a traditional attraction for women of jobs in retailing. John Wykes, personnel director of the retail division of Boots, the pharmaceutical company, says the demand for staff rises in the middle of the day - when many women with children want to work.

Flexible shift patterns can be extended beyond simply part-time working. The British Council allows job sharing among its 1,750 staff. The only requirement is that each of the two sharers must work 36 hours in a two-week period.

It currently has 15 posts operated as job shares, and all 32 occupants are women. The Council also has a career break scheme which is open to all grades offering a guaranteed return to work up to five years after leaving for any of a variety of family responsibilities.

Several companies have established women's discussion groups to advise on employment policy and counsel women considering having children. British Petroleum has established a Women in BP group, which advises on guidelines on parental breaks drawn up two years ago.

Boots has set up a Returners' Network among management staff at its head office.

Some companies go beyond that to formal confidence-building measures for women. Littlewoods runs training programmes - for both sexes - to encourage assertiveness in competing for promotion.

Working from home has been one of the least exploited of alternatives, except for companies in sectors such as computing, in which a link with the office is relatively easy to establish. But there is evidence of companies becoming more willing to consider it.

Among eight women on parental breaks in BP companies at the moment, four are not working at all, three are working three days a week, and one is working full-time but splitting her weekly shifts between three days in the office and two at home.

Overall, many companies that have limited schemes are now considering extending them, and others that have not so far taken any of these initiatives are becoming more interested. Yet many remain confined to women in senior grades, or with specialist skills.

As the labour market changes shape, this is also likely to change. Companies will have a strong incentive to find ways of spreading both the number and seniority of women they employ. In the next decade, social ideals are likely to find an ally in business common sense.

"Overcoming the Career Break - A Positive Approach," by Carole Truman, Training Commission Publications, Room W1111, Moorfoot, Sheffield S1 4PQ.

Management abstracts

Cash flow: FASS opens the floodgates. J.J. Mahoney and others in *Journal of Accountancy* (US), May 88 (9 pages)

Summarises the requirements of a new American accounting standard which replaces the funds flow statement with a cash flow statement based on a rigid structure and classified by operating, investing and financing activities; points out that financial institutions may find compliance difficult but most companies will not.

An outbreak of ethics. R.E. Berenstein in *Across the Board* (US), May 88 (5 pages)

Sees corporate ethics as a matter of increasing and widespread interest in US business, with ethical consultancy emerging as a "cottage industry" - but sees no real sign that ethics are improving. CEOs, generally, being more critical of other organisations' ethics than their own. Examines evidence of the number of promulgated ethical codes (although many fall short of the ideal), but quotes academic opinion that codes do not deter unethical conduct, unless supported by corporate educational programmes. Argues that ethical concern has risen with the shift from a manufacturing to a service economy, with its greater emphasis on competitive edge; suggests that it all comes down to a basic education, through school, family and church.

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machines don't need the ability to communicate with each other, others maintaining that as the technology of engineering expands to meet the need for communication with other functions. Quotes as a failure General Motors' quantum leap in manufacturing - especially worrying as GM was the driving force behind the Manufacturing Automation Protocol. Concludes that there is still a lot of interest in CIM, but that it is now realised that automation is not the answer to all the problems.

Information systems in the executive suite. J. Moad in *Information* (US), May 15 88 (5 pages)

Claims that it is top management who will be pressing the computer department for new information systems, that they will want them quickly, that they will require better information - not just on-screen versions of the unanalysed reports they already get, and that their use of such systems will have a knock-on effect on other systems. Quotes the views of several executives from, inter alia, Quaker Oats and General Motors on how systems should be designed, the effects they have, and on the need for a champion to make them successful.

Auditing training and development. B.P. Murphy and R.A. Swanson in *Journal of European Industrial Training* (UK), Vol. 12 No. 2 88 (4 pages)

Suggests that, because it is very expensive to evaluate every training course, it could be beneficial to take a leaf from the accountants' book by conducting a thorough audit of the training function as a whole or of major programmes; spotlights five areas for audit, covering compliance with needs, efficiency and effectiveness, trainee satisfaction/performance and business results; gives examples of each and draws the threads together with an account of a supervisory training audit.

Tough-minded ways to get innovative. A.E. Pearson in *Harvard Business Review* (US), May/June 88 (8 pages)

Blows the trumpet for constant innovation as the basis of market leadership, which starts with a CEO who is totally committed to structuring the organisation to encourage innovative ideas and, when they are found and developed, going for broke in launching them on the market. Quotes numerous examples from the US business scene.

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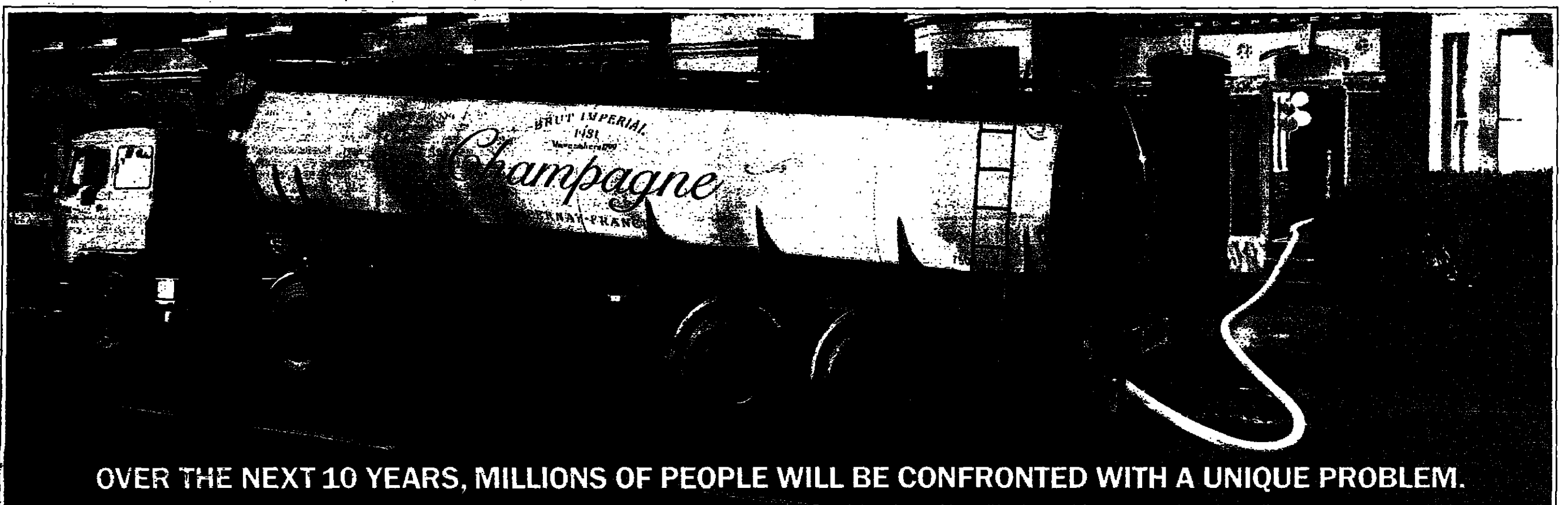
It is they who are set to become the "nouveau riche" of the 90's and beyond. And they will, in a very real sense, owe it all to their parents.

For it was the post-war generation who first enjoyed widespread home ownership. Now retiring in their millions, they will soon be conferring their wealth upon their already affluent 40 and 50 year old children.

A portentous event when one considers that even a modest estate can now be expected to top the £100,000 mark.

In fact, estimates predict that by 1997, parents passing away will pass on a staggering £24 billion a year. (240% up on current levels.)

Undeniably, the impact of this quiet, yet colossal transfer of wealth will be immense. It will affect



OVER THE NEXT 10 YEARS, MILLIONS OF PEOPLE WILL BE CONFRONTED WITH A UNIQUE PROBLEM.

companies big and small, old and new, progressive and old-fashioned alike. It will doubtless affect you and your company. After all, millions of dutiful sons and daughters will be presented with dauntingly large legacies.

But will they spend, spend, spend? Or will they use their vast discretionary wealth with discretion?

Will they, as some pundits predict, fritter their money away on the likes of fritto misto di pesce and moules à la crème; German fitted kitchens; Milanese designer furniture; winter holidays in St Lucia and summer jaunts to gîtes in the Camargue?

Or will they, as rival experts would have us believe, plough their considerable capital into the City's money markets?

As it is, 1 in 5 adults now hold stocks and shares of one sort or another. 1 in 3 have taken out their own private pension plan. 1 in 10 have decided to invest in private health care. These figures could advance dramatically given sufficient nouveaux inheritors with sufficient financial perspicacity. No area of finance would remain untouched.

Private education, for example, could become a realistic and popular option for legions of middle class families overnight.

Whilst an ever-decreasing retirement age and a less munificent welfare state could bring pension and private health care planning to the front of millions of minds.

The vagaries of luck and fate need not decide your company's eventual response to all this, though. You can start doing something about the matter today, just by thinking ahead.

For forward planning is the only answer. An answer that we at Ernst & Whinney have put into practice for companies of all sizes and complexions. In all probability, your company could benefit from contacting us. After all, without wishing to blow our own trumpet, we do have a wealth of experience.

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TECHNOLOGY

The screw tightens on machine makers

Nick Garnett examines the much tougher demands being made by the US car industry

Can big corporations put the squeeze on their equipment suppliers? Yes, they can; and this is just what is happening to the manufacturers of special production machines for the US auto industry.

Tighter tolerances, heavy warranties, the running of training courses for the car makers' employees, far tougher testing before installation; all these are being thrown at machine makers as requirements they must meet.

This means that machine builders are also being sucked into closer relationships with car makers, taking in both machine design and future component manufacture. The process is known as simultaneous engineering.

"People who do not change or meet these requirements are finished," says Dario Giannetti, sales and marketing vice president for Cross, one of the big three US special machine suppliers. "It is pretty one-sided now. We have no choice but to say yes. It is a lot tougher business than it used to be."

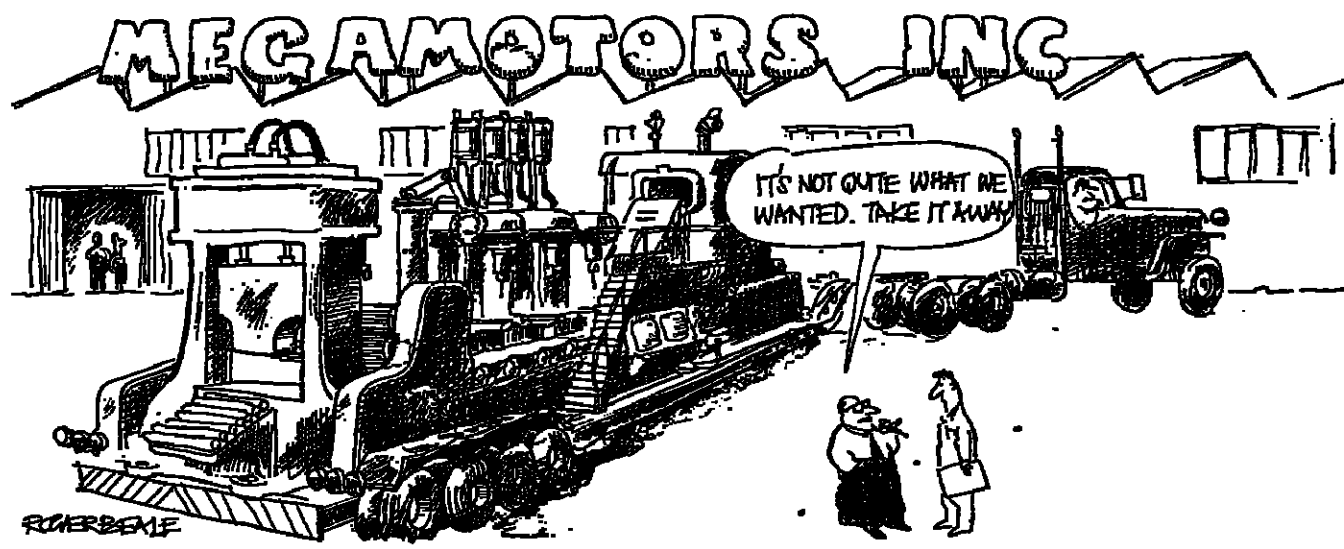
Supplying specialist equipment - such as transfer lines for manufacturing components like engine blocks, cylinder heads, transmission cases and crankshafts - has always been a difficult business. In the past six or seven years a stream of US suppliers has gone under. Barnes failed, Snyder went down, Bendix and LaSalle were merged into Cross. Greenlee went out of business.

This has left three main US suppliers. Ingersoll is a privately owned company in Rockford, Illinois. With its modern, integrated manufacturing facility, it has taken the lion's share of recent US auto company business.

Lamb has specialised in machines for making cylinder heads and transmission cases and now acts as a separate division of Litton Industries, which took it over last year.

Cross is part of the large but loss-making Cross & Trecker group. The main change affecting the special equipment makers has come in their relationship with the big three car makers, General Motors, Ford and Chrysler. One of the reasons that Cross's performance was poorer than those of its US competitors was that it lost touch with this development.

"Ingersoll and Lamb saw



simultaneous engineering coming," says Giannetti, who has had long experience in the machine supply industry and was brought in by Cross last year to try to rectify the company's marketing position. "Cross thought it was a passing fancy and got excluded."

The company is now making headway again, having received a \$25m (£15m) contract for engine lines and put in a bid for a \$100m supply job. It has a backlog of smaller orders.

Perhaps Cross should have seen the trend coming, for it is not surprising that car companies want more from their machine builders.

First, there is increasing pressure on suppliers of equipment and components to improve quality and delivery and to reduce costs.

Second, there are good technical reasons why auto makers need simultaneous engineering. For example, it requires more complicated machines to

make engines with four valves per cylinder.

Third, car makers have drastically cut their white collar headcounts in recent years, throwing a lot of engineers out of work. This shrinking of their pool of talent has forced them to seek more involvement from machine makers.

Finally, there are new and more flexible machines on the market which encourage car companies to seek more co-operation from the manufacturers of these machines.

Traditionally, the equipment for making large components is the transfer line, a series of connected machining stations. Each station carries out an important task in the building of an engine - drilling a series of holes for example - and then automatically transfers the engine to another machining station.

The advantage of these lines is that they can produce components at a rapid rate. The disadvantage is that they are

inflexible if a car company wants to alter the design of the component or make several model variations on the line.

The new flexible machines include head changers. Within seconds, these will exchange one head (a configuration of tools) for another. These head changers allow engine makers to run several different types of engine block through the same transfer line.

Up to the late 1970s, it was normal practice for a car company to put out to tender a large machining equipment project. Machine builders then competed for the tender and one company was selected.

"Now car companies look for four or five quotes then narrow it down to two," says Giannetti. "They use simultaneous engineering in working with those two companies for a couple of months to see what solutions they have. Then, once they have also felt what competitive prices are on offer, they will choose one vendor

and go with him."

The figures involved are considerable: a cylinder block machining system can cost between \$40m and \$50m.

As vehicle builders tend to make changes in specifications of new components right up to production, simultaneous engineering reduces the likelihood of last-minute and costly changes to the machinery. Since it was introduced - at General Motors this started with the Chevrolet Beretta and Corsica lines - the need to alter transfer lines to account for late changes in component design has been reduced dramatically.

"One car company says that after-order changes have been reduced by 75 per cent," says Giannetti. "That saves huge amounts of money."

Car companies are leaning on equipment makers to offer warranties on machines of up to five years. Machine makers have balked at that because of the serious physical

demands on a machine pumping through up to 150 parts per hour.

Another demand is for guarantees that machines will have at least 85 per cent "up time". But manufacturers protest that it is the way the machines are run by the vehicle builder that largely determines their reliability.

One result of this is that car makers and machine tool suppliers are considering having machine tool company engineers permanently based on the car makers' shop floors. "It's protection for ourselves," says Giannetti.

Tighter tolerances mean that most machine tools now have to be made to a tolerance of half of a thousandth of an inch. To prove that the machine can stay within this throughout its three to five-year life, machine builders have traditionally had to test the machine to one half of that requirement. Now they are being asked for one quarter.

The initial on-costs of all this to machine builders are high. They include time in contract prices, but it is difficult to quote accurately both to cover costs and remain competitive.

Giannetti lists a few of these extra costs. Machines are normally set up in the machine builder's factory and tested by the car maker before being shipped to the component assembly plant where further trials are held.

Each of the two sets of acceptance trials takes about 12 weeks. But this is now being stretched to 18 weeks. Machine builders have to cover the financing for that stretched period as they only get paid after completion of acceptance trials - 90 per cent following approval on their own shop floor and 10 per cent when the machine is up and running in the car plant.

Cross estimates that the training packages which machine builders are being asked to provide can cost up to \$300,000.

However, there could be long-term benefits for machine builders. They hope these new relationships will force car companies to understand some of the problems they face, in particular the burdensome cycles of feast and famine in demand for machines, which are inflicted on suppliers by the auto industry. They hope a more even ordering curve will come out of this.

A pump for an oil-gas mixture

STOTHERT & PITT Fluid Engineering, of Bristol in the UK, is offering a system for offshore oil producers that will pump any mixture of gas and oil. This obviates the expense and inconvenience of separating the two at the wellhead and using different pipelines.

The twin screw, multiphase pumping system was developed with Shell, Mobil and BP and supported by a £230,000 Aid for Innovation grant from the Department of Trade and Industry.

Its advantages are that it can improve efficiency in ageing or marginal fields, say the developers. For example, the system can achieve or increase production from wells which cannot normally flow to a gathering centre, and reduce the load on down-hole pumps. It should also enable difficult fields close to existing production facilities to be exploited.

The new pump is available in two sizes to deliver 55,000 or 80,000 barrels per day.

Beyond the battery

THE FUEL cell, a device in which the chemical energy resulting from the oxidation of a fuel is directly converted into electricity, is an attractive idea which has defied commercialisation due to the high cost of construction.

So far applications have been restricted to military equipment and space travel.

But research continues because these devices produce power from simple fuels on a continuous basis, unlike batteries which either have to be re-charged or become exhausted and need to be disposed of. What is more, fuel cells usually produce effluent that does no harm to the environment.

For example, the Siemens research centre at Erlangen in West Germany has produced one of the biggest fuel cell arrays to date. It oxidises hydrogen to chemically pure water and produces 50 kilowatts of power (the equivalent of 50 one-bar electric fires).

There are no waste heat problems, which is not true of conventional electric generators powered by turbines.

The cells need very little maintenance and have a long service life.

WORTH WATCHING

Edited by Geoffrey Charlish

Connections to a special team

SCANVEST Ring Communications, of Norway, is making its digital automatic call distribution (ACD) systems available in the UK, through Digital Distribution of Kingston upon Thames.

ACD systems are used where an incoming flow of calls must be answered by a special team of people. Connected to the company exchange, an ACD unit will try the team's extensions until a free one is found, putting the calls in a queue if necessary. Faster connection of customers reduces the business lost when they hang up in frustration.

Scanvest's DCD 600 is entirely digital and its operation can easily be altered by programming. For example, users can be arranged in groups according to activity, and the groups can be re-arranged by the supervisor, using screen and keyboard.

The team's activity can be continuously monitored. Up to 500 users can be accommodated by the modular construction. A small system, with five incoming and five user lines, costs about £11,000.

Database for manufacturers

BRITISH Telecom's Dialcom subsidiary is to offer publicly an advanced manufacturing database (information store) over the Telecom Gold electronic mail service. It was originally compiled by the IEE (Institution of Electrical Engineers) for members' use.

CONTACTS: Stothert & Pitt, UK, 0272 327071, Siemens UK office, 0932 725252, Digital Distribution, London, 043 3063, Dialcom, London, 306 6306.



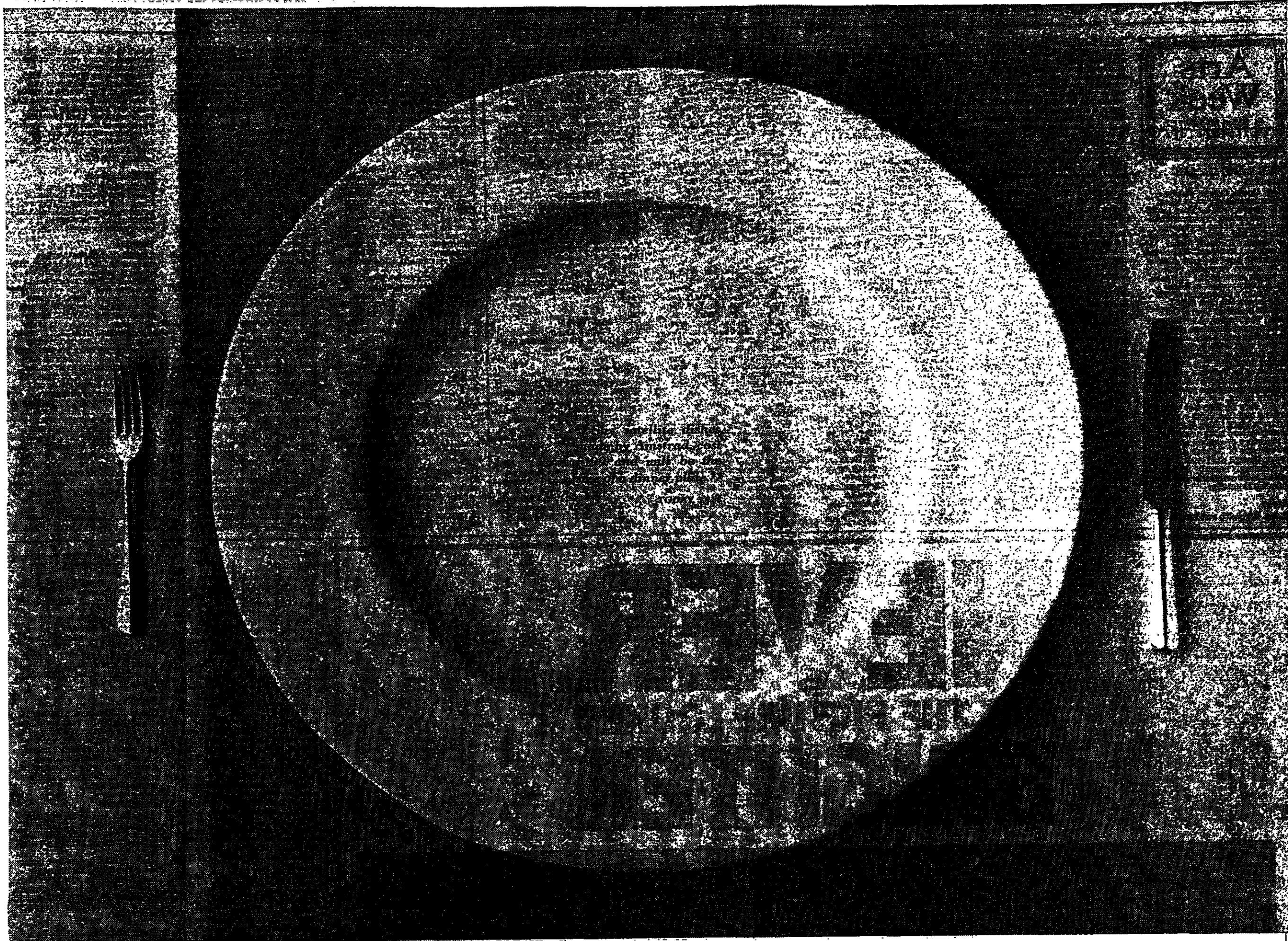
When you're travelling it's reassuring to know you can rely on a perfectly coordinated flight schedule. Carefully devised to allow for time differences at each destination, with

no-wait connections, at convenient times. Ensuring you can make the most of your day. Only a truly international airline can make this possible. And if that airline can also offer

you the warmth and hospitality of the Spanish sun, you should have no doubts as to which way to fly.

IBERIA

WARM TO THE EXPERIENCE.



Dear Rupert, If your satellite dish is a dinner plate, you must eat whopping dinners.

According to the British Ceramic Manufacturers' Association, the average dinner plate is about 10" across.

According to the makers, the satellite dish needed to receive Rupert Murdoch's Sky channel is 60cm across. Which is 23½".

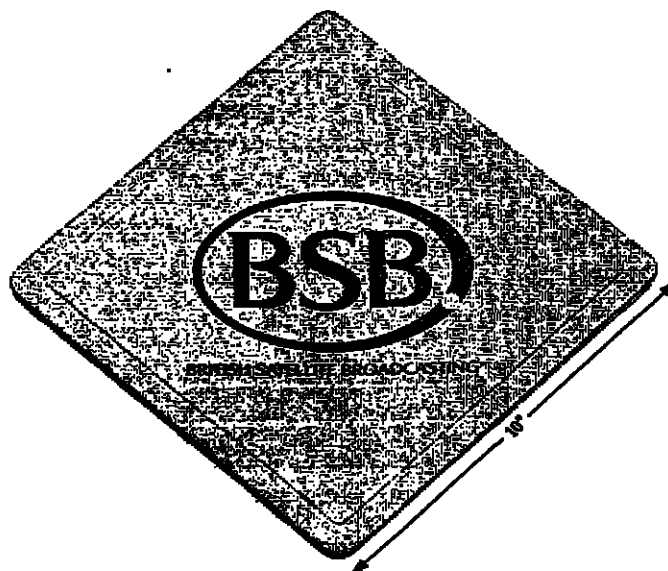
Yet here it is being likened to a dinner plate.

Surely, even in Australia, dinners aren't this whopping?

There's worse. If you live north of Manchester, apparently you'll need a 75cm dish to receive Sky.

North of Aberdeen, you'll need 90cm or more. (And, over 90cm, you'll also need planning permission.)

The reasons are simple: Sky plans to use the Astra satellite which is only medium-powered.



And it's centred on Luxembourg.

At British Satellite Broadcasting, we've rather less to offer.

Our satellite will be a high-powered one, so our aerial is small. 10" square, to be precise. Or a quarter the size.

And because we'll be centred on Manchester, you'll need nothing bigger to receive all three BSB channels from next September, whether you live in London, Birmingham, Manchester, Glasgow or Torquay.

As you can see, the quote above appeared in the Today newspaper, amongst others.

We trust Mr Murdoch, in his wisdom, has seen fit to put his colleagues straight on this.

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WORTH WATCHING

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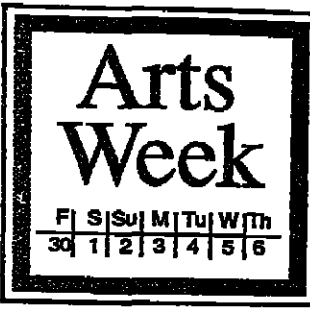
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ARTS



OPERA AND BALLET

London
Royal Opera, Covent Garden: the long-awaited new staging of Wagner's Ring by Yury Lyubimov, conducted by Bernard Haitink, begins at the beginning, with Das Rheingold. James Morris (Wotan), Kenneth Riegel (Loge), and Eikehard Wischniewski (Alberich) head the cast. Also in repertory: Turandot, with Gwyneth Jones in the title role, and a lively revival of Eljeh Meschinsky's production of Die Entführung aus dem Serail. English National Opera, Coliseum: The Barber of Seville, an unsuccessful Jonathan Miller production now overhauled, returns with Della Jones's sparkling Rosina at its head; Stephen Barlow conducts. The new production of La Traviata is one of David Pountney's unidomatic, hectoring incursions into 19th century opera, relieved by Helen Field's very English but touching heroine and fine Verdi conducting from Mark Elder. Similarly unsatisfactory RNO accounts of repertory operas come from the revivals of Carmen and Tosca, though the latter is at least strongly sung by Janice Cairns, Edmund Barham, and Malcolm Donnelly.

Paris
Opera. Rigoletto conducted by

Alain Lombard/Alain Gringaild returns to the Palais Garnier after 18 years absence, with Neil Shicoff/Taro Ichihara, Alain Fondary/Manguerra and Alida Ferrarini/Christine Barbeau. It alternates with Julius Caesar, conducted by Jean-Claude Malgoire, a specialist in baroque music. Nicholas Hytner presents a production of remarkable beauty peeped by flashes of irony. The title role is sung by Graham Pushe, Cleopatra by Felicity Lott (bookings 47425371, information in 3 languages 47425750). Palais des Sports. Alvin Alley and the American Dance Theatre present the Suite Afro-Caribbe for bird with love and revelations. Until Oct 16 (Bookings 48294090; information 48294048). Théâtre de la Ville. Sanket Jitku and choreographer Ushio Amagatsu present, apart from a surprise creation, 20 or 21 ostrich eggs standing up "through curiosity" in the rain of sand or water (48579442).

Vienna
State Opera. In repertory: Le Nozze di Figaro conducted by Franz Welser-Moest, with Margaret Price, Sylvia McNair, Bernd Weikl, Heinz Zednik (Fri, Mon). L'italiana in Algeri conducted by Claudio Abbado, with Agnes Baltsa, Patricia Pace, Ruggiero Raimondi, Georg Tschuy (Sat). Lucia di Lammermoor conducted by Rico Sacconi, with Luciana Serra, Paolo Coni, Richard Burke (Sun, Fri). Simon Boccanegra conducted by Claudio Abbado, with Gabriele Lehner, Anna Gonda, Giuseppe Taddei (Tue). Boris Godunov conducted by Mark Ermler, with Ludmila Schentschuk, Rohangiz Yachmi and Noriko Sasaki (Wed). Maria Stuarda by Donzetti, conducted by Ion Marin with Agnes Baltsa, Maria Zampieri, Ana Gonda (Thurs) (51444, ext 2650).

Volkoper. In repertory: Das Leud des Licheins (Fri). Hoffmanns Erzählungen (Sat). Mignon by Thomas (new production), conducted by Ernst Maerzenderfer (Sun, Wed). Theatral by Eugen d'Albert, conducted by Konrad Leitner (Mon). Die lustige Witwe conducted by Rudolf Bibl (Tue). Madame Pompadour by Leo Fall, conducted by Rudolf Bibl (Thurs) (51444 ext 2652).

Berlin
Deutsche Oper. Los Alamos, specially composed for the Berlin Opera by Marc Neikrug will have its world premiere this week. The cast is led by Angela Denning, William Dooley, Wolfgang Trantwein and conducted by Arturo Ramayo. Katja Rabinowa has fine interpretations by Karan Armstrong, Patricia Johnson, Helga Wisniewska and William Cochran.

Hamburg
Staatsoper. Der Barber von Sevilla features Janice Hall, Yoko Kawahara and J. Patrick Rafferty. Der fliegende Holländer is respectable with Mechtild Gessendorf, Siegmund Nimsgern, Robert Schenk and Harand Stamm. Die Zauberflöte has Helen Kwon, brilliant as Queen of the Night. La Bohème brings Cristina Rubin, Patricia Wise, Urban Malmborg and Geoffrey Moses together.

Cologne
Opera. Turandot has Olivia Stapp, outstanding in the title role with Hubert Holzer, Dieter Schwilke and Juan Lloveras in other parts. Das Gauklernarchen, the first opera by Gerhard Koenigsmann, received controversial reviews on its premiere. Faust in Willy Decker's production, is sung in French with Ulrich Felscher (Mephistopheles), Robert Bork (Valentin), Ana Gonda (Faust) and Ash-

ley Putnam (Margarete)
Bonn
Opera. Semiramide, newly produced by Pier Luigi Fizzi, stars Cheryl Strader and Kathleen Lühmann. Norma is revived with a new cast led by Rosalind Plowright in the title role, Florence Quivar (Adalgisa) and Giorgio Merighi (Pollione).

Frankfurt
Opera. Der Wildschütz features Juke Kaufmann, Ise Gratzki and William Workman. John Cogg's Europaea 1 & 2 with Michael Shamir, June Card, Anny Schlemm, Seppo Ruohonen and William Workman. William Forsythe's ballet New Sleep-Die Befragung. Robert Scott and Silvan rounds off the week.

Milan
Teatro Alla Scala. A co-production by the Ballet National de Marseille and the Berlin Deutsche Oper of Roland Petit's Ballet L'Angelo Azzuro, based on the novel by Heinrich Mann, with music by Marius Constant and scenery by Josef Svoboda. The cast includes Luciano Savignano, Roland Petit, Jeanne-Pierre Aviccia and the singer Moira (now well known outside Italy for her dramatic performance of songs by Kurt Weill) (Tues, Wed, Thurs) (80.91.35).

Turin
Teatro Regio. Last two operas of Wagner's ring cycle produced by Gianfranco de Bosio and designed by Attila Kovacs and Santuzza Cail. Zoltan Pesko conducts Siegfried (Fri) with Ortrun Wenkel, Graham Clark, Gerd Brenneis and Hertz Eckert, and (Sun) Götterdämmerung with Stella Doz, Reinhold Bunkel, Wolfgang Schöne and Camilla Uberschär.

Florence
Teatro Comunale. Virginia Puccheri's production of Verdi's Simon Boccanegra conducted by Myung-Whun Chung, with sets by Raffaele del Savio based on sketches of those used for the 1981 performance at La Scala (done under Verdi's careful supervision). Giorgio Zancanaro sings the title role, with Maria Chiara and Sandra Pacetti alternating as Amelia and Mario Malagutti, Franco Stali and Donatello Gialotti (Sun and Thurs) (2779236).

Como
Teatro Lux (Como Festival) First performance of the futurist pantomime written by Luigi Pirandello, La Salamand, with music by Massimo Bontempelli and scenery by Enrico Prampolini (the futurist, dadaist, and later surrealist painter, who died in 1906) (Fri). This production will be at Frankfurt at the opening of the book fair on Oct 4 (70.17.50).

Chicago/Tokyo
Bolshoi Ballet. Raymonda (Mon, Tues) Tokyo Bunika Kaikan (235 1661).

New York
Metropolitan Opera (Opera House, Lincoln Center). The season opens with a repertory including Julius Caesar, Il Trovatore, Das Rheingold and Lucia di Lammermoor (262 6000). New York City Opera (State Theater, Lincoln Center). The week features Jay Rapse's Rasputin, which was commissioned by the company, and is conducted by Christoph Keene and directed by Frank Corsaro, with John Cheek in the title role. The week also includes the new production of Rigoletto, conducted by Elio Boncompagni.

THEATRE
London
Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (378 5107). South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven falling to wash the horizontal Emile Bescourt out of her hair (338 5882). The Phantom of the Opera (Her Majesty's). Spectacular, emotionally numbing new musical by Andrew Lloyd Webber (338 2244, credit cards 379 5131/240 7200). Follies (Shaftesbury). Eartha Kitt and Millie Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriage nearly undermines an old burlesque reunion in a doomed theatre (378 5395). Haggard (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support (336 6004, credit cards 379 5225). The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (360 9532, CC 379 4444). Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that predates the capture of old England by the spivs and opportunists. A genuine classic (437 3886). The Success (Aldwych). Eight short Chekhov pieces - four vaudevilles, four early stories - translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and

Cheryl Campbell. Slightly rewarding, intermittently funny (336 6004, CC 379 6335). Sugar Babies (Garrick). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (336 8888).

New York
Case (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically felicitous (238 6262). A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as audition numbers rather than emotions (238 6300). Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and politics brings to Broadway lessons in pageantry and drama (238 6200). Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognize its US incarnation: a spruced-up stage with new bridges and American scenery distract from the backstage pop music and trumped-up, silly plot (336 6310). Me and My Girl (Marquis). Even if the plot turns on ironic irony of Fyngkinn, this is no classic (336 6252). M. Butterfly (Stuyvesant). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (248 0220). Speed-the-Plow (Boydell). David Hackett applies his biting sarcasm and ear for the exaggerations of American language to Holly-

wood, in this screamingly funny and well-plotted expose of the film industry (338 6200). Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (338-7100). Fantom of the Opera (Majestic). Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (338 6200).

Washington
Sleuth (Shubert). Stacy Kuech and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (264 3678).

Tokyo
Kabuki (Kabukiya). Performances at 11am and 4.30pm. The morning programme includes Moritsumi Jyngma, a play set in an age of civil strife - a popular actor's tragic, sinking in the sea. Moritsumi considered one of the finest in kabuki. In the afternoon: Kaganjyama Gonchiro Iwafuji. This play is based on a scandal that occurred in court shortly before it was written but, in typical kabuki fashion, transposes it to a remote age. It is noted for its spectacle - scattered bones rising up to form a complete skeleton and a beautiful mansion transformed into a haunted house. Excellent programme and garbure contemporary in costume (341 3113). The Fausticles. Sunshine Theatre, Ikebukuro. Whimsical Off-Broadway production. Although translated and performed in over 50 countries, this is its first overseas tour with an American company. Ends October 10 (367 5261). Goriky Theatre, Leningrad. In Chekhov's Uncle Vanya (Tues, Wed), Peter Schaffer's Amadeus (Thurs), Globe Theatre (372 6331).

NEVER HAS THE PICTURE LOOKED BRIGHTER



IAN RYME, CHAIRMAN

BRUCE GYNELL, MANAGING DIRECTOR

"I am pleased to announce a healthy increase in both profit before taxation from £5m to £7.8m, an increase of 56%, and turnover from £24.1m to £28.8m, an increase of 20% for the six months ended 31st July 1988. Dividends per share for this period are 1.5p.

Despite the difficulties that we faced in the period, our weekly audience rose by over 1 million to 14.8 million. Our investment in new technology was accelerated and we have almost completed the modernisation of each of our regional studios. By next April we will have one of the largest networks of remote controlled studios in the world.

The ACTT dispute delayed the planned improvements in our programming and meant that we have only recently been in a position to introduce the changes that were originally intended to come into effect at the beginning of the year. Certain of these changes were agreed in consultation with the IBA at the Mid-Term Review in July 1987 and have been the subject of more recent discussions.

We continue to recruit quality staff to meet our programme requirements which, with our improving technology, is giving us greater operational flexibility than ever before. We are confident that our output will further improve with planned changes including increased regional news coverage; the introduction of weekend news bulletins; an expanded Frost programme on Sunday; a 90 minute Saturday sports programme and more educational and regional content in our children's programmes.

The amount of pre-sold advertising air time for the current half year is showing a healthy increase on the same period last year. Your directors are confident that we will continue to develop and be in the forefront of British television in the future."

EXTRACTS FROM THE CHAIRMAN'S STATEMENT.



The contents of this statement, for which the directors of TV-am plc are solely responsible, have been approved for the purpose of Section 57 of the Financial Services Act 1986 by Arthur Andersen & Co, as an authorised person.

MUSIC

London
Beethoven Fins is a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The work of more than 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (328 3191).

London Philharmonic Orchestra conducted by Kurt Masur. Concert performance of Beethoven's Fidelio, with Eva-Maria Bundschuh, Klaus König, Donald McIntyre. Royal Festival Hall (Sat, Mon) (328 3191). Royal Philharmonic Orchestra conducted by Erich Leinsdorf, with Barry Goldstein (clarinet), Brahms, Mozart, Dvorak. Royal Festival Hall (Sun) (328 3191). Choir of King's College, Cambridge which will be conducted by Stephen Cleobury, Handel, Bach, Faure. Barbican Hall (Sun) (338 8891).

City of London Sinfonia directed by Richard Hickox, with Montserrat Caballé (soprano), Mercedes Llopis (mezzo), Alexander Knaul (bass), Berlin Philharmonic Orchestra conducted by Herbert von Karajan. Schönberg, Brahms, Royal Festival Hall (Thurs) (328 3191). Orchestras of the Age of Enlightenment directed by Gustav Leonhardt, with Anna Bystrina (cello), Haydn, C.P.E. Bach, Mozart, Queen Elizabeth Hall (Thurs) (328 3191).

Paris
Moscow Virtuoses with Vladimir Spivakov as conductor and soloist, and the Orfèvre Donatien choir. Mozart. Salle Pleyel (Mon) (45638873). Ensemble Intercontemporain's soloist Pierre Laurent Alazard/Irène Kastalyra, Alain Neveux (piano), Zimmermann, Barraque. Radio France (Mon) (42901518).

Berlin Philharmonic Orchestra conducted by Herbert von Karajan. Schönberg, Brahms, Royal Festival Hall (Thurs) (328 3191). Orchestras of the Age of Enlightenment directed by Gustav Leonhardt, with Anna Bystrina (cello), Haydn, C.P.E. Bach, Mozart, Queen Elizabeth Hall (Thurs) (328 3191).

Paris
Orchestre de Paris conducted by James Conlon. Mahler (9th symphony). Salle Pleyel (Wed, Thurs) (45638896). Marie-Claire Alain (organ), young soloists conducted by Rachid Seif. Bach, Bruckner, Grunenwald, Alain, Durufle. Saint-Germain-des-Près church (Thurs) (42901519).

Vienna
Wiener Mozart Orchester in historical costume. Mozart. Sofiensäle (Fri, Wed). Synthesizer Concert with Romayne Wheeler, Tchaikowsky, Gershwin, Joplin, Wheeler. Votivkirche (Fri). Vienna Philharmonic Orchestra conducted by Leonard Bernstein, with Thomas Hampson (bass), Mozart, Mahler, Sibelius, Musilveverin (Sat). Wiener Kammerorchester conducted by Herbert Prikopa, with Ernst Ottensamer (clarinet), Mozart, Konstantin (Sat, Sun). Orchestre Philharmonique de Strasbourg conducted by Theodor Guschlbauer, with Jean-Louis Gill (organ), Richard Strauss, Rousset, Saint-Saens, Konstantin (Sun). Berlin Philharmonic Orchestra

conducted by Herbert von Karajan. Schönberg, Brahms. Musikverein (Mon). Alban Berg Quartet and players from the Amadeus Quartet. Brahms, Schubert, Konstantin (Mon, Tues). Vienna Symphony Orchestra conducted by Rafael Frühbeck de Burgos, with Alicia de Larrocha (piano), Mozart, Tchaikovsky, Kuchl Quartet in Haydn, Beethoven and Mozart. Musikverein (Wed).

Berlin
Berlin Philharmonic Orchestra conducted by Herbert von Karajan, with Fiamma d'Amico (soprano), Lucia Valentini-Terrad (contralto), Jose Carreras (bass), and John Tomlinson (bass) and the Vienna Singverein. Verdi's Requiem. Philharmonie (Fri, Sun).

Frankfurt
Frankfurt Alte Oper, Orpheus Chamber Orchestra and Heinz Holliger (oboe) and conducting Mozart, Strauss, Ives and Tchaikovsky. Dietsch Fischer-Dieskau lieder recital with pianist Hartmut Holl. Munich. Alte Oper (Sun). Hotel Philharmonie Orchestra conducted by Sergiu Celibidache. Berlin, Schubert and Tchaikovsky. (Tues)

Cremona
Cremona Festival, Teatro Ponchelli. Warsaw Symphony Orchestra will be playing Ravel, Saint-Saens and Beethoven. Violinist Salvatore Accardo both conducts and plays in the concert (Fri) (203070).

Rome
Villa Medici, Eon e Narciso. A series of concerts which is sponsored jointly by Rai's third programme and the Rome daily newspaper, La Repubblica. Bartok's Bagatelle for Piano, pianist Carlo Bruno, and Kurtig's Kafka-Framente for Soprano (Adrianna Csegyri) and violin (Andreas Karas) (Sat, Sun). Chamber Choir of Milan in A. Gombosi's Two Acts from Moby Dick for soprano, choir and six instruments (1988), Petrossi's Mottetti per la Passione, and Monteverdi's Missa in F. Theatrum, with soprano Victoria Schneider and (Mon) pianist Herbert Henck playing Zimmermann's Abgeschiedenheit (first performance) and Cage's Music for Changes, and (Tues) soprano Luisa Castellan with the Roman Guitar Quartet playing Purcell, Paganini, Gabrieli and Clementi (6544601).

New York
Cincinnati Symphony conducted by Jesus Lopez-Cobos, with Bella Davidovich (piano), Roger Chopin, Schumann, Carnegie Hall. (Tue) (247 7800). New York Philharmonic to be conducted by Zubin Mehta, with Yo-Yu Ma on the cello. Programme includes Dvorak, Bruckner, Avery Fisher Hall, Lincoln Center (Wed) (789 9585). Dallas Symphony Orchestra conducted by Eduardo Mata conducting with Vladimir Viardo (piano), Bachmann, Stravinsky, Carnegie Hall. (Wed) (247 7800). Itzhak Perlman, violin recital. Mixed programme, Carnegie Hall. (Thurs) (247 7800).

Washington
National Symphony Orchestra conducted by Meteliev Rostropovich, with Irina Vlasova (mezzo-soprano), Beethoven, Mozart, Ravel, Franck, Kennedy Center Concert Hall (Thurs) (254 3776).

Chicago
Chicago Symphony Orchestra conducted by Sir Georg Solti, with Susan Dunn (soprano), Simon Estes (bass), Verdi. Orchestra Hall (Thurs) (435 6122).

Tokyo
Alfred Brendel (piano), Schubert. Altomi Memorial Hall (Mon) (333 2242). Theo Adam with Rudolf Dunckel (piano), Schubert's Die Winterreise, Suntory Hall (Mon) (235 1851). Sviatoslav Richter (piano), Elton Memorial Hall (Thurs) (235 1616). Josef Suk Chamber Ensemble, Vivaldi, Telemann, Handel, Dvorak. Canals Hall (Thurs) (291 2525). Arts Guide continued on Page 17

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ARTS

CINEMA

Rose-tinted view of Vietnam

The Vietnam war is now open for big movie business. After long silence during the war itself and its immediate aftermath, the door to big-screen treatment of America's greatest military trauma was first opened ten years ago with *The Deer Hunter* and *Apocalypse Now*. Last year business got into full swing with *Full Metal Jacket*, *Heartbreak Ridge* and the money-spinning, Oscar-winning *Platoon*. And now we have *Good Morning, Vietnam*, already gobbling up box-office records in America and showing that we can now laugh as well as cry over Vietnam.

And so in the same film, to boot. Or so hope writer Mitch Markowitz and director Barry Levinson (*Of Diner and Tin Men*). They have hijacked and Hollywoodised a true story that of American disc jockey Adrian Cronauer, who sent blasts of anarchy and hilarity (at least according to the film) over Forces Radio airwaves in Vietnam in the mid-1960s. Yes, even in the midst of a war whose manpower commitment was soaring steadily under President Johnson — from 75,000 to 125,000 to 350,000 (the movie hammers out the statistics) — America, we're told, could still boast a sense of humour. Whether such a thing was worth boasting about in the circumstances is another question, but not the film's business.

As played by American super-comedian Robin Williams, Cronauer is a one-man Tet offensive. He is deeply offensive to his military superiors, with his delirious anti-authoritarianism: he jokes on air about everything from the Vatican (last line in in-house collection: "Pop's a top to Gay Lib") to the US military and their encourage-

ment of xenophobic views of the Vietnamese. But though not to the taste of the officer class, Williams-Cronauer goes straight to the guts of the troops, who are seen gathered round their radio sets, laughing their heads off between military engagements.

As for us, we laugh our heads off between the movie's own campaigning traumas, which consist of trying to fit Robin Williams's blue streaks of Brilliance into a convincing story.

GOOD MORNING, VIETNAM (15)
Barry Levinson

FAMILY VIEWING (18)
Atom Egoyan

MASQUERADE (18)
Bob Swaim

Once away from the radio mikes, where Williams's vocal and verbal prestidigitations are astounding (he makes Kenny Everett seem like a coma victim), the movie and its hero become an embarrassment. Out in the streets, Mr Radio Bad-Mouth suddenly becomes Mr Real-Life Nice guy. He consorts with the locals, he falls in love with a Vietnamese girl, he has Serious Debates with her Vietnam terrorist brother, and he even — aw shucks — teaches a bunch of Saigon street kids baseball.

So rose-tinted are the movie's glasses by the end that you are begging it to take them off. You cannot see any emotional colours other

than sentimentality. It is even hard to distinguish the film's clumsy attempts at irony — "What a wonderful world we live in" — over a montage of battle footage from its marvellous glow of sympathy for a persecuted people.

Hollywood has a prodigious record of re-writing history to suit changing market tastes, but does the modern world really want to believe in a babe-eye-view of the Vietnam war which blurs all distinction between the South and North? They're all just persecuted peasants and nice people — and casts America itself as the villain and aggressor? With \$180m dollars earned by the film so far, sadly and apparently it does. *Good Morning, Vietnam* comes in like an iconoclastic lion but goes out, we, winsome and awash with hindside liberalism, like a defeated nation's sacrificial lamb.

Atom Egoyan's *Family Viewing* is an animal of no recognisable colour. But this astonishing Canadian movie has been going about the 1988 film-festival circuit mauling happy audiences and cooing yelps of enthusiasm from critics.

Shot on video, it tells a queasy, funny tale in a queasy, funny style. Funny peculiar rather than funny ha-ha, though there are grim giggles too in the story of a teenage boy, Van, who finds life with Dad and Stepnum unbearable — what with their tally-addiction, their monosyllabic conversation and their kinky sex-games in a video-equipped bedroom — and decides to kidnap his Gran from an old people's home. Despite her vegetable state — she cannot talk and stares blankly at the TV all day — she is the only family member he warms

to and he wants to make a real home for her. Also floating through the tale is versatile young call-girl Monica, who adds the sizzle and abets the boy's attempts to leave home.

This dotty family saga is played out like a soap opera scripted by Pirandello. Everyone lives in illusion-land, feeding on dreams and fictions, and video and TV are no longer take-them-or-leave-them leisure facilities but essential life-support systems. It is not enough to have the world, you must have non-stop images of the world: it is not enough to have sex, you must see yourself having sex.

Result (suggests Egoyan): people no longer see real life as real life, they recognise it only if processed for them by the image culture. They cannot even recognise their own kin. When Dad visits the old people's home, at the boy's insistence, with a bunch of flowers for Gran, he goes to the wrong bed and gives the flowers to wrong old lady. "Dad," the boy tactfully reminds him, "she was moved out of this room last year."

The movie creates layers of reality and representation, and makes them a rich soil for metaphor. In making his sex-play recordings, Dad is taping over home-video footage of the boy's childhood, carelessly erasing (to him) unregarded past. And in one scene the burble of an anthropological programme on the TV — "Man alone can contemplate his past and plan his future" — mischievously comments on the characters' compulsion not just to live their lives but to enact and shape and admire them as if creating some cosmic soap opera.

The film is directed by Egoyan with a wonderful deadpan *clat*.



Robin Williams (centre) in 'Good Morning, Vietnam' blasts of hilarity over the airwaves

Camera work is sleek and gnomic, lines of dialogue are exchanged with the mistrustful caution of a prisoner-of-war. But the chief miracle of *Family Viewing* is its involving of modern audio-visual techniques not just in the form of the movie but its very theme and content.

Nothing remotely so original troubles *Masquerade*. Time: now. Place: Hokum-land. Here we are with the rich set on Long Island, begirt with murders and blackmail, and heaven knows what else. When handsome yachting ace Rob Lowe starts courting pretty heiress Meg Tilly ("the richest girl on the East Coast"), we suspect there is more

than meets the eye. There might even be more than meets the eye, though the amatory dialogue sets a snappy pace. "You want me to put these on?" asks Tilly of a new pair of black-lace panties, the couple's first bedroom date. "I can't bite them off if you don't," replies Lowe. And there is more like this. Director Bob Swaim (*La Balance*) gives a creepy lustre to the early scenes, helped by Dick Wolf's switchbacking script and David Watkin's high-noon-in-the-Hamptons photography. The scenery is having a rough time keeping pace with its own ingenuity. Is Miss Tilly's nasty, Lowe-detesting stepfather all he seems? Is Miss T's pining policeman

ex-boyfriend planning revenge? Did Lowe himself "plant" a vital piece of evidence at a murder scene? And what about the rat, the propane gas and the exploding yacht? It is hard stuff to follow. You leave this film with your brain in several pieces, and have to spend five minutes in the lobby putting it back together again. The plot twists follow each other with reckless speed, and sometimes reckless disregard for probability. Best to sit back and let the scenery and sound shine wash over you, which resembles *The Great Gatsby* stylishly repulped for the thriller market.

Nigel Andrews

Dry Rot

LYRIC THEATRE

Brian Rix returned to the London stage on Wednesday after an absence of 12 years during which time he has done such dignified things as running MENCAP and chairing the Arts Council's Drama Fair.

I am relieved to be able to report that he drops his trousers and makes a right idiot of himself. He plays Alf Tubbe, a crooked bookie in a toupée of which Charlton Heston, king of toupées, would be proud. Sung, and arranged, on Sir Brian's snappy band, it sits like a squirrel in a snowdrift while its master pretends to be posh. "Where was you at school?" he quizzes the smooth young secretary Danby (Robert Bathurst). "Harrow" would appear to be a final sort of reply. Rix undaunted, squeaked heaving, and says: "Same 'ere. Whereabouts in 'Arrow'?"

Dry Rot was John Chapman's first play and Rix's second big hit. In 1954, at the Whitehall, it is set in a country hotel near a racetrack in the early 1950s. Alf and two sidlees, one of them a scene of post-war tranquillity to fiddle a race by switching the favourite and collect ten grand by backing him to lose.

As a period piece it has boundless fascination. In terms of farce genre, it is palpable and rather ingenious mix of Pinter's *Daddy Dick*, Ben Travers' *Thark*, and the Three Stooges. Chapman's writing is that of



Harriet Reynolds and Brian Rix

an actor well versed in the arts of plastic mime and cinematic lunacy. Christopher Benschaw's production trusts that our collective memory will respond to mention of Bessie Braddock's bloomers, Gordon Richards, and ration coupons. These old Whitehall forces dig deep in the atavistic urges of a theatre-going public for too long ignored.

They take on a national xenophobia re-charged by the War-time fear of invasion. And they employ the theatrical metaphor of a madhouse to explain away simple eccentricity. The language is puerile and pun-based, with scatty derivations, but the effects are primarily visual.

Benschaw's production captures this superbly, achieving a liquid ensemble perfection in such sequences as the tapping of the wood-paneled set.

Other mime set pieces are a riding lesson on the set, a Nick Wilton and Fred Philips (Rix played this part in 1954), a typical Derek Royle somersault with upspit drink as the bemused kidnapped French jockey and, finally, the famous tea sequence in which Derek

Griffiths as the spindly, Teddy Boy-ish Flash Harry juggles tea-cup, sugar, jam, marmalade, and cream cannet while trying to maintain a carapace of social pretence as a guest way out of his social depth.

At this distance, the farce now assumes a comic resonance in the assault on old values by the new spivs of opportunism. Richard Vernon's smoothly unruffled Colonel, whose castle has been reluctantly let out to rent, is England under fire. The new age, embodied by Rix, Wilton and Griffiths, is one of feigned accents, fiddles and conspiracies.

Nick Wilton's pretend jockey is passed off, under pressure, as a dwarfish piano tuner. There is no funnier, or more tender, scene on the London stage than the Colonel's wife (Rixet Gray) attempting to explain that "dwarfish" meant with a bit of an nonexistent piano that has gone missing. Mr Vernon leaves a despondent sigh and accepts his wife's incipient madness as yet one more sign of the times.

Michael Coveney

Performance art on tour

Edge 88, Britain's "First International Biennial of Experimental Art" which is now touring the country, was in Glasgow last week and the performances have been attracting rapt audiences.

Wandering around Clerkenwell, the inner city village with its secret squares, unexpected alleys, boxy churchyards and good pubs is pleasurable enough on a mild autumn evening. To also discover curious installations and obsessive activities along the way makes for a rich and very metropolitan experience.

As well as gallery venues such as Air and the Fluxman Gallery, artists have chosen to set up in a midtown, diffused offices for their "laboratory" pieces. The installations, using videos, laser, live performance, props and written material, are works on the edges of fine-art practice: on the edges, too, of politics and emotions. Sometimes a cutting edge, sometimes a blunt instrument.

Over the years performance art has tended to gravitate towards a restricted spectrum of issues and practice. The subject matter (if that is not too defined a term) when it is not intrusive and autobiographical is often political, questioning notions of power, ideology and restrictive practices which cannot be satisfactorily explored in object-based art.

The means, although claiming to be unfettered and intuitive, can be boringly standardised, or agonisingly self-abusive.

Michael Coveney

The subject matter is often political, questioning notions of power, ideology and restrictive practices. The means can be boringly standardised or agonisingly self-abusive.

People watching people watching is a constant theme of "experimental art," but the really dubious nature of voyeurism came across very strongly in Zbigniew Warpechowski's performance, appropriately at the Slaughterhouse.

After drawing a line on the spot-lit back wall, Warpechowski, a Polish poet, painter and performance artist, belatedly a metal rod between two fingertips and raised his arms, bedecked with leaves, above his head. The horizontal rod and figure shadowed against the vertical line became a crucifixion, and we watched the sweating, moaning Warpe-

chowski suffering on the Tree of Life for about 20 agonising minutes. Spectators, (and the basement was packed to overflowing), masked their response under blank faces. The implications of this (not novel) act of gratuitous suffering in a world of real pain were very distasteful, especially as an earlier visit to Alister MacLennan's continuing performance at the Kingsway Princeton College had been a thought-provoking experience. MacLennan, who lives and teaches in Belfast, had appropriately selected to work in the evening in the disused cells beneath the college, which had once been a prison and the site of an explosion in 1987 in an attempt to free Irish prisoners. The entrance is screened by sacking curtain, and until one's eyes have adjusted to the deep gloom, there is a sensation of real fear and panic.

Within a barbed-wire enclosure, hung at both ends with what appear to be torn flags, MacLennan moves relentlessly up and down, wrapped in deep alienation. The flags are slings for carrying some object — a stone, a piece of wood, a dead baby — which he moves from one end of the cage to the other, creating a chaotic wood and debris underfoot during his inexorable progress.

Most gallery performances depend on an act of complicity which one is not always willing to make. In this piece, one is unquestionably both participant and spectator: it is art on the cutting edge of reality.

Edge 88 is on tour in venues in the North: Manchester, Newcastle, Hull and Sheffield - until end October. Details from AIR 6 and 8 Rosebery Avenue EC1, (Tel. 01-387-5294)

Deanna Petherbridge

Dukas & Messiaen

FESTIVAL HALL

The City of Birmingham Symphony set off the South Bank programme of festivities for the 80th birthday of Olivier Messiaen with the *Purgatorio* Symphony on Wednesday. It was a tribute made fittingly handsome by the excitement of the performance, and also by the excellent choice of work to precede it: a rare presentation of the "danced poem" *La Peri* (given here with its opening brass fanfare) by Paul Dukas, one of Messiaen's teachers at the Paris Conservatoire.

Dukas was both a strong influence on his pupil and a composer of special distinction, whose tiny corpus of works (and which was a morbid perfectionist) excites extreme partisanship. *La Peri* is perhaps his outstanding achievement, one of the most exotic and highly performed products of late-Romanticism.

The scoring is of extreme sumptuousness, with lines flowing around each other in exquisite Art Nouveau curves and tendrils. Yet beneath the richly lacquered surface is a finely wrought musical structure of the perfect shape and length, holding the ripe harmonic language in a subtle balance. It is a Frenchman's response to the Wagner of *Tristan* and the *Tannhäuser* Venusberg reveries (Paris version): fastidious and ecstatic at the same time.

The guest conductor of the CBSO, Mark Elder, is always at his best tackling a complicated late-Romantic work for large orchestra. The playing lacked, perhaps, the final degree of tonal "saturation," but the clarity with which both outer and inner parts were defined and the expert control of momentum made this, all the

same, a wonderfully valuable revival. (Dear Mr Elder, isn't now time to mount Dukas's *Ariane et Barbe-Bleue* at the Coliseum?)

The Messiaen work is in the orchestra's bones — they have performed it with their chief, Simon Rattle, and with the same superb pianist (Peter Donohoe) and ondiste (Cynthia Millar) often enough, and have recently recorded it. The Elder account goes for extremes — of volume, pace (the fifth movement too fast for tidy ensemble), colour contrasts (a more incisive differentiation of percussion strands in the seventh than I've ever before heard), and atmosphere. All that it lacks is a sense of sensual repose in the "Garden of the Sleep of Love," which seemed to go too fast and insufficiently softly. Lots of young people in the audience: is *Turangalila* now *à la mode*?

Max Loppert

'Roots' goes on tour

The National Theatre is to take Arnold Wesker's *Roots* on an eight week regional tour of England and Wales, sponsored by BP. Presented by NT Education and directed by Simon Curtis, it will open at the Alhambra Theatre Studio Bradford on October 25, after five performances in the Cotswolds.

Roots, the second in a trilogy which includes *Chickens*, *Soup With Barry* and *For Talking About Jerusalem*, is the twelfth NT Education touring production; others have included *The Caucasian Chalk Circle*, *Macbeth*, *Hamlet*, *The Mother*, *Apart from George*, and *Panther*.

SALEROOM

Record price for coin

The highest price ever paid at an auction in the UK for a coin was established at Sotheby's yesterday when a gold dinar, dated 77 A.H. (696 AD) sold for £165,000 (near the bottom of its estimate) to a collector in the Middle East.

The coin was minted less than 70 years after the death of the prophet Mohammed and was part of the first truly Islamic coinage created by the Caliph Abd al-Malik. Until then the Arab world had used Byzantine coins with an added Islamic inscription. There had been Islamic coins for four years previously, but this design established a tradition which lasted for 1,200 years.

It carries a strong theological message: "God is One, God is Eternal, He does not beget nor is he begotten." It thus marked an important challenge to Christian doctrine.

A pair of 19th century French bronze parcel gilt and enamelled busts, 86 cm high, with onyx drapery, one of a Jewish girl, the other of an Arab sheik, sold for £187,000, comfortably above the high estimate. They were made by Charles-Henri Cordier, around 1870, and were sold by an aristocratic Spanish family.

Cordier caused a sensation in 1848 when, as a young sculptor, he produced a portrait bust

of a negro. It marked the start of a romantic interest in exotic peoples from distant lands, and among purchasers of a pair of busts on the same subject was Queen Victoria. In 1987 Christie's sold a pair for £201,200, establishing a modern interest in Cordier's work.

Other exotic models followed, including Chinese figures, and then this pair. Two on the same theme, with metal rather than onyx, made £96,500 last year, and this high price brought out yesterday's couple, which suggests there is still an unsatisfied demand for these examples of Victorian realism touched with sentimentality.

The Duke of Northumberland was disposing of some spare busts from Alnwick. One, of a boy and a dog by Joseph Gott, was bought in at £16,000, but a marble statue of a shepherd boy sleeping, modelled in 1818 by John Gibson, was at the bottom of its estimate, selling for £52,800.

The second day of the Christie's sale of books owned by the dealers Sotherton of architectural drawings realised £235,147. Lardanchet, a Parisian dealer, paid £14,300, three times the estimate for the first treatise on the design of stage machinery and scenery, by Nicola Sabbattini, printed in Ravenna in 1638.

Antony Thorncroft

EXHIBITIONS

Paris
Carte Musée et Monuments, sold in museums and Metro stations, each view to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.

Centre Georges Pompidou, The Fifties, taking over Beaumont's for three months from the ground floor upwards. The poster creative by Jean-Louis de la Fifties is represented by cars, comics, music, cinema, literature, industrial creation and — on the fifth floor — by visual arts. The great figures of Matisse and Picasso open the exhibition with works in black and white; monochromes by Yves Klein and Montana close it. Closed Tues. Ends Oct 17.

Musée d'Orsay, Cézanne, The Early Years (1859-1872). The 63 paintings and 20 drawings and watercolours, already seen in London and on their way to Washington, reveal a hitherto neglected period of the artist's life. Closed Mondays, Ends Jan 1.

Artistic, Zao Wou-Ki's retrospective traces the development of an artist formed both by the ancient traditions of Chinese and by the work of the Impressionists and of Cézanne, Matisse and Picasso. From paintings inspired by landscapes, he moves on to pictorial abstractions which, from 1959 onwards, do not have titles, only dates. 9 Ave Matignon. Ends Nov 10.

of the Latin Quarter on the blackened ruins of Roman baths. Now a museum, it houses medieval works of art. In a rotunda of its own is a set of the Lady and the Unicorn in blue tapestries, one of the masterpieces of medieval art. Place Paul-Painlevé, Métro Odéon. Closed Tuesdays and Thursdays.

After Lisbon, Paris celebrates the 80th birthday of the artist who, while born in Portugal, decided to live and work in France. Some 90 paintings are divided into four groups according to themes: iconographies, memory of colours, forms and colours as musical partitions, density and transparency of colour.

Galerie d'Art Saint-Honore, Still lives in Dutch and Flemish art in the 17th century. Only the ingrained tradition of painstaking craftsmanship of the time can explain the perfection and the stunning minor condition of the paintings assembled by Monica Kruch. 267, Rue Saint-Honore.

Berlin
Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980's. This exhibition concentrates on figurative painting and portraits. Among the artists are Hans-Joachim Ebersbach, Tübke and Libuda. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Erasmus
Georg Baselitz, The Motiv. Forty pictures by the German expressionist, born in 1928. Recently restored, provides a fitting home for the world's largest collection of Baselitz's work. 5 Rue Throgny, Closed Tuesdays. Musée de Cluny, Medieval art in Paris. The abbots of Cluny built their magnificent Gothic town house in the heart

are being displayed in four different venues. There are also works by German and French artists from 1903-1906. The Association is helping young artists by donating £100 to £200 (£50,000 in prize money). Wirttembergischer Kunstverein; Kunstgebäude am Schloßplatz; Staatliche Kunsthalle; Adenauer-Str 30-32. Ends Oct 12.

Schleswig
Holestein Landesmuseum. 1,000 years of Russian Art. This exhibition celebrates the 1,000th anniversary of the Russian Orthodox Church, taking as its theme the new alliance between church and state. Following its Moscow premiere in June, opened by Raisa Gorbachev, it has now moved to Schleswig, celebrating the special relations between the German state and Russia. The 488 selected pieces are on loan from 14 different Soviet museums, with the highlight provided by 180 icons from the 13th to the 20th century. Modern painters include Kadinsky, Natalia Goncharova and Kasimir Malevich. The other major part of the exhibition consists of 170 pieces of gold jewellery. The simple art of 18th century wood carvings provides an interesting contrast as do the illuminated 18th century books with religious legends, music manuscripts, illustrations of the Apocalypse. Ends Oct 24.

Vienna
Museum of Modern Art/Museum of the 20th century. Works by Oswald Obertuber, one of Austria's finest artists. Ends October 20.

The Austrian National Library
The Arab world in Europe. A marvellous collection of letters and other literary texts. Ends October 16.

Herman Villa, Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floega. Ends Feb 19.

Secession, Klimt's "Beethoven Frieze" is now back in its rightful and original home in the beautifully restored Secession. Also on exhibition are works by two young Austrian artists, Stefan Helmreich, Klaus Koenig and Willi Kopf, the sculptor. Ends November 9.

Albertina, Exhibition of drawings by Alfred Hrdlicka, considered to be one of Austria's most controversial artists who managed to divide public opinion on plans by the City of Vienna to (finally) build a memorial to those who fought in the resistance during the Second World War. Hrdlicka is best appreciated for his sculpture. He is at present finishing his work on the memorial, which will be sited just across from the Albertina. Ends November 30.

Venice
Palazzo Grassi, The Phoenixians. The fourth major exhibition at the Grand Canal attempts to give a complete picture of this extraordinary people. The exhibition has been given a highly theatrical presentation by the architect Gas Aulenti. In an upstairs room, model ships stand in a row, and a large polysemy wave engulfs a Phoenician wreck. Many of the 1,200 objects displayed are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Rome
Palazzo Venezia, Imago Mariae. Over 100 works, including masterpieces by Gentile da Fabriano, Pinturicchio, Correggio, Giovanni and Teodoro, showing the progressive humanisation of the

Virgin Mary from the austere figure of the Middle Ages to the gentle and accessible charm of the Renaissance and Baroque portraits. Ends Oct 4.

Bologna
Pinacoteca Nazionale and Museo Archeologico, Guido Reni (1676-1642). A splendid collection of paintings by the first to bring the concept of physical beauty into sacred art. His depictions of the Virgin Mary have recall of Thomas Hardy's tragic heroines. The paintings come from major Italian and foreign museums. Until Dec 6.

Martigny
The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Remains, from society portraits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented with his famous *Apple-look and landscape* with tormented trees. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picasso and Manet's *Maria Lebovics*, riding side saddle all clad in black and looking as seductive as Bonnard's appealing nude or Degas' ballet dancers. Ends Nov 6.

New York
Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1680. Ends Jan 8.

Museum of Modern Art, Almost 100 black-and-white prints illustrate Matisse's influence during

a 50-year printmaking career that included lithography, dry-point, etching and linocut art. Ends Nov 6.

Chicago
Art Institute. The first major retrospective in 30 years of Paul Gauguin includes more than 230 objects and major paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Tokyo
Tokyo National Museum. Japanese Archaeology: History and Achievements. Over 300 exhibits tracing the history of archaeology in Japan. Begins October 4. Closed Mondays.

Hara Museum of Contemporary Art, Shinjuku. Oil paintings by Tomie Ohtake, who emigrated to Brazil in 1936 and is now regarded as one of Latin America's liveliest abstract artists. This is her first solo exhibition in her native country and has been organised to commemorate the 50th anniversary of the arrival of the first Japanese immigrants in Brazil. Closed Mondays.

National Museum of Western Art, Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. The exhibits range from the straight-forward representation of Japanese objects, or an added exotic touch in a conventional portrait — such as Monet's depiction of his wife in a red kimono — to copies of Japanese pictures and scenes from Japanese life. Closed Mondays. Ueda Gallery, Ginza. New works by Shochi Iida, regarded as one of Japan's leading contemporary artists. He is best known for his work in paper. Closed Sundays. Ends October 15.

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Friday September 30 1988

Africa's debt burden

THE FINANCE ministers from the Group of Seven countries deserve one muted cheer for finally endorsing the plan, outlined at the Toronto summit last June, to ease Africa's burden of external debt. But when the modest relief provided is set against the scale of the continent's economic crisis, it is evident that the measures fall far short of what is needed.

The beneficiaries of the plan are 84 low-income countries with \$62bn of foreign debt, \$43bn of which is owed to official creditors. Lenders will allow their creditors to choose one of three options: a partial write-off of one-third of their debts; lower interest rates; or lengthening of repayment periods. Only those countries whose economic policies are endorsed by the International Monetary Fund will be eligible, and the potential write-off is said to be worth \$60m a year. Excluded by virtue of its medium income status is Nigeria, black Africa's largest debtor (\$26bn), which is in severe financial difficulties.

That this modest package took so long to put together is a symptom of the reluctance of leading Western governments to grasp the nettle of African debt. Because the bulk of Africa's external obligations is owed to official creditors (unlike Latin America, where the commercial banks have the largest exposure), it is governments and multilateral lending institutions which must play the leading role in resolving the crisis.

gramme urged on Africa by the World Bank.

The Secretary General points out that per capita income, already at its lowest for nearly two decades, has fallen a further 4.2 per cent in the last two years. The most striking yardstick of decline is the increase in infant and child mortality, likely to total 50m between 1985 and 2000, according to a Unicef forecast.

Purchasing power

Africa's capacity to service its external debt is declining, while the debt itself is increasing, and new resource flows in real terms have been stagnant. Exports are down from a peak of \$57bn in 1980 to \$32bn in 1986; imports - essential to economic recovery - have fallen from \$28bn in 1980 to \$22bn in 1986. The World Bank calculates that a typical basket of African exports now buys a third fewer imports than 10 years ago; if oil exports are excluded, the loss in purchasing power climbs to 50 per cent.

Earlier this year the North-South Institute in Ottawa concluded that "most commodity prices," the lowest in real terms for decades, "are unlikely to recover over the short or medium term." This assessment alone underlines the unreality of any creditor strategy - such as that of the G7 - which is based on the assumption that Africa can repay its debt.

No doubt Africa must do more to help itself. Aid could in many cases be more efficiently utilised. Economic reforms under way need to be accompanied by an overhaul of civilised ruling parties. But domestic change, however necessary, is insufficient on its own. The success of those who are willing to move to new policies is fatally compromised by the need to support the Sisyphian burden of debt. What is needed are far stronger measures than now proposed, ranging from debt write-offs to the refinancing on soft terms of debts owed to multilateral banks and agencies. It is not good enough for the G7 countries to propose sticking plaster in a vain attempt to hide the wound; what is needed is decisive action to heal it.

Painful reforms

The G7 plan, however, is not radical enough. The extent of the continent's difficulties was made plain at a special session of the United Nations in 1986, and followed up earlier this month. In a report on developments since 1986 Mr Javier Perez de Cuellar, the Secretary General, said that the situation was getting worse despite the adoption by most governments of painful policy reforms backed by the International Monetary Fund and the World Bank. He made clear that unless debt service obligations - estimated at \$27bn last year, projected to reach \$45bn a year by 1995 - were substantially reduced, and new resources provided, a recovery pro-

Testing the ozone

MRS THATCHER is not, at first sight, a very plausible convert to the Green tendency. But nor is she one to underestimate the susceptibility of the British public to the sight of dead seals in a polluted North Sea or of toxic waste looking for a British dumping ground. The question, then, is whether the new interest shown by the British Prime Minister in environmental issues represents a durable change of heart or simply a well-timed theft of Mr Paddy Ashdown's clothes before his first speech as leader of the Democrats in Blackpool yesterday.

There is a respectable economic case for spending money on environmental protection. It rests on the need to counteract what economists call external diseconomies, or the additional costs borne by society that are not paid for by individuals or firms as they go about their business. But here is the rub: the discrepancy between private and social costs that gives rise to pollution and other forms of disamenity has been used to justify the enhanced role accorded to the state in the 20th century - that same state whose regulations Mrs Thatcher has been so anxious to roll back.

Three issues

To her credit Mrs Thatcher has now committed herself to the view that the health of the economy and the health of the environment are dependent on each other. But she laid emphasis this week on the need to ensure that policy "is founded on good science to establish cause and effect." Note, too, that the three issues she mentioned - the "greenhouse effect," the hole in the ozone layer and acid rain - are all ones in which policy is hammered out largely in multilateral gatherings, which suggests constraints on rapid change. The enthusiasm of Britain's recent contributions in such gatherings has sometimes reflected a short term view of national interest, not least in the case of the European Community agreement to cut sulphur dioxide emissions. These issues are fraught with complexity and not a little irony. The key, for example, to tackling global atmospheric pollution lies in a reduction in the amount of fossil fuel that is burned. Mrs Thatcher's credentials, never in doubt, are green thus new-tinged with are. But her powers of persuasion with Third World leaders, who hold the key to the future of the rain forests that mop up carbon dioxide from chemicals such as chlorofluorocarbons, is another matter. An open verdict, as yet, on this new commitment.

Threatened balance

That is not to say that the Prime Minister's speech to the Royal Society this week is wholly at odds with the general thrust of Thatcherism. Even to a neo-conservative the social costs of trade unionism are a very modest compared with the threats to the ecological balance that the world now faces; and while a return to the values of 19th century liberalism may erode the power of the labour movement, it clearly has less to offer when it comes to patching up the hole in the ozone layer.

With hindsight the Club of Rome did a great disservice to the environmentalist cause with its doom-laden warnings in the mid-1970s. By failing to grasp the way market forces worked in commodities such as oil, it detracted from its call for co-operative action to cope with other problems that were

Trade politicians have always been notorious for hypocrisy and doublespeak, but rarely has their propaganda machinery been working at such fever pitch as in the current war of words over whether Europe after 1992 will fall prey to protectionism or become a haven of free trade in an otherwise naughty world.

On one side are countries like the US and Japan which fear the European Community will erect new trade barriers to the outside world as its internal frontiers are dismantled in 1992. On the other are top Commission officials who wince at the mere suggestion.

It is the US with its new trade bill which is the main culprit in pushing the world towards protectionism, they say. The internal market is actually intended to promote liberalisation of world trade, and if the US chooses to suggest otherwise, they add, it is part of a devious attempt to distract attention from the evils inherent in its own trade legislation.

Some time soon, the truth behind these accusations and counter accusations is set to emerge. Early next month, the Commission itself is scheduled to have its first formal discussion of external trade policy after 1992. Gradually thereafter it should begin to become clear whether the outside world really does have grounds for alarm about the many points at issue.

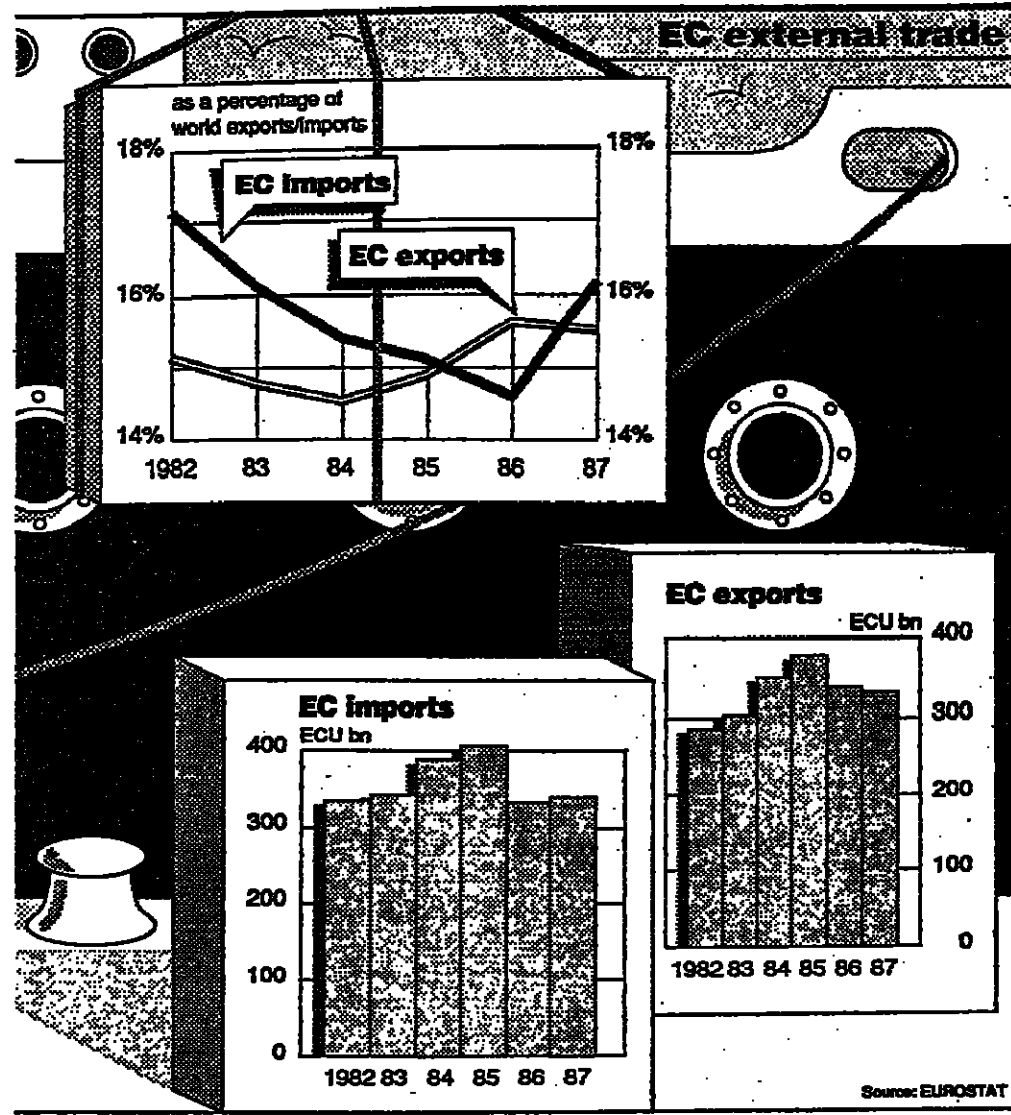
In theory there should be no reason for doubt at all. Not only is the EC wedded by Article 110 of the Treaty of Rome to a charter that obliges it to contribute to the development of a liberal world trading system, trade policy decisions taken by its Council of Ministers are voted on the basis of what is known technically as a "qualified majority". This means in practice that the four countries normally regarded as staunchly liberal in their philosophy - the UK, Germany, the Netherlands and Denmark - should be able to block any protectionist excesses among the rest of the 12.

Mr Willy de Clercq, External Trade Commissioner, has made it clear on a number of occasions since the summer that the aim of trade policy after 1992 should be to promote further liberalisation of the world trading system. Where trade in goods is concerned, the General Agreement on Tariffs and Trade already has established rules and these will be respected, he says.

Where trade in services is concerned, there are no such rules. The EC does intend to seek reciprocal benefits from its trading partners whose access to European markets will be increased as a result of 1992. But these will later be "multilateralised" through discussions in the Gatt to the benefit of all.

As so often, however, there is a wide gulf between theory and practice. When the idea of the single market was first mooted in a Commission White Paper in 1985, no one in Brussels paid any attention to its trade policy implications, because these were thought to be already neutral. Only on implementation of the single market loomed closer, have some far-reaching practical problems come to the fore.

The European marketplace today is peppered with national restrictions on



Trading places for the future

Peter Montagnon on the war of words over how protectionist the EC will be after 1992

Imports of a host of products ranging from paintbrushes and bananas, to textiles, whose trade is strictly regulated under the Multi-Fibre Arrangement, and to Japanese cars, which are virtually excluded from some countries such as Italy but freely admitted into others such as Germany. In a

The outside world fears community restraints will slide into protectionism

single market without frontier checks such national controls will become unworkable and pressure is growing for a Community-wide set of restraints, which the outside world fears, might open the door to a slide into organised protectionism.

Then there are areas such as government procurement where international rules are incomplete. The Gatt code on government procurement, for example, does not cover the key sectors of transport,

energy, water supply and telecommunications. That means the EC would be free to impose its own rules on access to these markets for foreign suppliers. Elsewhere there are fears that the EC might introduce new industrial standards designed to disadvantage outsiders.

Finally, the EC is breaking new ground in the services sector, where Gatt as yet has no agreed rules. Officials like Mr de Clercq have warned that Europe cannot simply give away to outsiders the advantage of access to its expanded market in areas like banking and insurance without receiving benefits in return. Quite what benefits remains far from clear, but at the very least the risk is that the EC will end up pre-empting the current Uruguay Round of multilateral trade negotiations.

Recently, as these issues have surfaced, doubts in other countries have grown ever more insistent. Speaking of the areas as yet outside the Gatt, Mr Muneoki Date, Japan's Ambassador to the EC, says: "We are quite ready to co-operate in the Gatt forum, to for-

mulate new international rules but we fear very much that before the outcome of the negotiation is known in the Gatt, the EC will go its way and set its own rules."

Mr Al Kingston, US Ambassador to the EC, adds that concern is growing because of Europe's failure to speak with one voice. While the most senior officials in the Commission are unanimous in debunking the idea that 1992 will lead Europe to erect a protectionist fortress, the message changes as soon as the question surfaces lower down the ranks of the Brussels bureaucracy, in the European Parliament or in industry itself.

Then the emphasis switches to words like reciprocity, transitional arrangements and nurturing industry. "I and my government colleagues back home say, 'What do you mean?' And we don't get clear answers," he says.

Europe's continuing inability to give clear assurances to its partners on the external trade policy implications of 1992 owes much to its own failure to develop internal debate soon

enough. Privately, some senior Brussels bureaucrats admit to a degree of panic as they realised the importance of the issues still to be addressed.

Of all the issues now facing the Commission, two - car imports from Japan and reciprocity requirements in banking and financial services - have emerged as leading indicators of its stand on trade in the run-up to 1992. Not only are they particularly sensitive in economic and political terms; together they encapsulate many of the underlying worries of the outside world.

With varying degrees of legality under international trade and Community law, Italy, France, Spain, Portugal and the UK all operate national restraints on imports of Japanese cars. The Commission would like to see these restraints rolled into a temporary Community-wide quota after 1992 when they would become unenforceable at national level. It sees this as a prelude to phasing out such restraints altogether.

But the European car industry has somewhat different ideas. It would like any new arrangements to include an 86 per cent local content requirement on cars manufactured by Japanese companies either inside the Community or in countries like the US for export to Europe. If the requirement is not met, then those cars would be included in any import quota. Moreover, the European industry wants to use the negotiations with Japan as a lever to demand equivalent to half the market penetration achieved by Japanese firms in Europe.

The case of financial services seems more arcane, but in practice it strikes to the heart of trade policy principles as they have developed since the War. Many in Europe believe that to demand reciprocal access to overseas markets is a reasonable *quid pro quo* for granting access for outsiders to a liberalised European market.

This simply extends the reciprocity principle long applied by countries such as the UK in issuing licences to foreign banks wishing to set up in their home markets. But along the way the discussion has assumed elements of unusually sharp controversy.

Not only is the UK opposed to this idea because it could effectively allow a country like Greece to block the establishment of Japanese banking subsidiaries in London. The concept has also set alarm bells ringing elsewhere in the world because the concept of reciprocity is as yet ill-defined.

Commission officials admit that one of their tasks is to calm the anxieties of European companies who worry that 1992 will end up offering the greatest advantage to giant multinational corporations from Japan and the US. Strategically the present uncertainty over trade policy has as much of a role to play in allowing these firms to work themselves out as it has in putting foreign trade partners on the defensive, they say. For the time being the outside world can only hope they are right.

Japan could never guarantee Europe a specific share of its car market

Some countries, such as Italy, claim that reciprocity means insisting on identical treatment. In other words US banks should not be given access to the pan-European market because interstate banking restraints in the US impede nationwide operation by European banks in the US. Others, such as France, have argued that subsidiaries of foreign banks already established in the EC should be denied the right of pan-European opera-

PM's room at the top

Having already turned Green, visited Ulster, watched the Bush-Dukakis debate, received the President of Egypt and the Prime Minister of Malaysia, and no doubt done 101 other things this week, the Prime Minister yesterday did her bit for women. She presented the Women's Business awards at the Dorchester Hotel and had a wonderful time being photographed.

Semi-circled, at her request, by the six finalists, she said uncharacteristically: "We can't do everything at once. Shall I go backwards?" She also made a rather pithy speech. "Women have every bit as much talent as men. They are now gaining in self-confidence...if you want to make a bureaucrat tremble, show him a really determined woman."

Talking of Europe 1992, she said that there were more opportunities than ever for small businesses. "Women think there is not much room at the top. Their life is lived in the foothills. They create their own peaks. Then they find that there's tons of room at the top."

First prize went to Gillian Harwood, managing director of Omnibus Workspace Ltd. Harwood started by letting rooms to overseas students. She then inherited a small factory in London's Camden Town and began to rent out workshops. By now she has a string of such buildings, some of which are being turned into shopping centres and restaurants.

The prize for the best newcomer went to Marilyn Orchard of Winchester whose company, Denplan Ltd, specialises in persuading National Health dentists to provide their patients with preventative care. Jamie Godber, the co-founder of the Knickerbox which is about to expand abroad, was joint third.

OBSERVER

The award is run by the women's magazine, and is sponsored by the TSB Trust Company.

Flight error

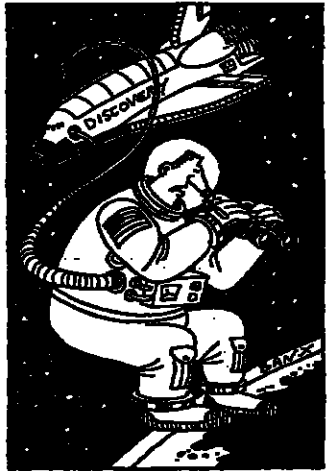
The story in last Friday's Observer column about Neville Chamberlain flying to Germany on scheduled flights of British Airways aroused such disbelief that it was changed in later editions to say that he flew by Imperial Airways. The early edition story was correct. A reader, Desmond Goch, who was a schoolboy plane-spotter at the time, recalls Chamberlain flying in a Lockheed Electra from the then Heston airport where British Airways operated. Imperial operated from Croydon. The two airlines were merged in 1941 to form the British Overseas Airways Corporation under the chairmanship of Lord Keith.

Sinking fast

John Lister, the former ICI executive who chairs British Shipbuilders, will not be around today to find out whether there are any bidders for the state-owned corporation's Sunderland subsidiary, known as North East Shipbuilders (Nesi). Instead he will be cruising in the Mediterranean when the deadline for offers expires.

Lister's absence underlines his opposition to the Government's decision to break up British Shipbuilders, although he will have to decide whether any of the bids are viable. That looked unlikely yesterday. No bids had been received.

Lister is cross about his treatment by the DTI, which gave him the impression he was being regarded to repeat an earlier success at ICI Fibres, and then scrapped the recovery



"I can see hundreds of central committee members bearing on Moscow."

plan. So far he has chosen not to embarrass ministers in public, and merely observes that he doesn't relish the job of presiding at a funeral when he thought he had been hired to work a miracle. He thinks that he was misled about the corporation's prospects, but says he plans to stay put and get the best deal possible for his dwindling workforce. He is being canvassed as chairman of an enterprise corporation to be set up in Sunderland if Nesi has to close, yet may not be interested.

A keen cricket fan, and former wicketkeeper (he used to stand up to the fast bowlers with a stick in each glove), Lister, now 57, wants a good innings somewhere else before he retires.

Early polls

The first Gallup polls were introduced in Britain in 1937. They were not then very scientific or regular. Still, something of the impact of the

Munich agreement, which has its 50th anniversary today, may be seen in the 1938 responses. In March that year only 24 per cent of those polled said they favoured Chamberlain's foreign policy. By October 57 per cent said that they were satisfied with Chamberlain as leader.

Japanese talk

Missionaries in the sixteenth century referred to it as the "devil's tongue"; today it is seen by some as the ultimate non-tariff barrier to trade in Japan. It is the Japanese language. On the US State Department's scale of 1 to 5 for language difficulty, Japanese scores a 5, along with Chinese, Korean and a few others.

In early November a new course in practical Japanese for business men and women starts at London University's School of Oriental and African Studies. The five-day course concentrates on basic grammar and everyday vocabulary. It is used by the Japan External Trade Organisation in Tokyo and was designed by Hajime Takamizawa, director of the State Department's Japanese language school at Yokohama. JETRO was originally set up to promote Japanese exports, but has undergone something of a Renaissance conversion and now tries to encourage imports to Japan. It has given the course to SOAS and funded Takamizawa's trip to Britain to train instructors and make any modifications.

Timeo Danaos

American jokes: "What are the two worst words in the English language?" "President Quayle." George Bush is being described as "the evil of two lessers". Michael Dukakis is known as "Zorba the clerk" and, being a small man, there is also the line: "Beware of Greeks wearing lifts."

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POLITICS TODAY: Joe Rogaly

Pinching ideas — and car radios

The Ugly Right will play out its black comedy at this year's Conservative Party conference in Brighton, as it always does. The dark side of the Tories will be made manifest in staccato attitudes to crime and punishment (and, no doubt, race relations). Britain's opposition parties should be grateful. For they are finding it increasingly difficult to pin the Conservatives down as the nasty party. Every new buzz-word that Labour or the Democrats come up with is parroted by the Tories, in name if not in essence.

On Tuesday night the Conservative Prime Minister, Mrs Margaret Thatcher, punched one of this year's outstanding opposition topics — the environment. Private Tory polls had indicated that she would be wise to do so. The politician in her was quick to respond; the economist in her made sure that she did so cheaply. She emphasised her concern about three friends-of-the-environment: lead, acid rain and the ozone layer — the Government is already obliged by international pressure to act. The third, the "greenhouse effect", is still at the international hand-wringing stage. In this way Mrs Thatcher was able to claim herself green without committing the Government to any change of policy.

Another current opposition runner, citizenship, has been hijacked with equal political stonewall by the Home Secretary, Mr Douglas Hurd. He has given us the "Active Citizen". This has nothing to do with the civic rights that the Democrats mean by the word, or the social rights that concern Labour, but it is wondrous political theft. We will hear more about it the week after next. Thus for the moment the only revitalised word in the progressive vocabulary is "community", which both Labour and the Democrats are seeking to patent. They haven't a hope. Masks over their eyes and swags over their shoulders, the Tories are on their way. My guess is that either the Home Secretary or the Prime Minister will display the loot at the Tory conference in Brighton the week after next.

So Labour and the Democrats can thank the permanent Tory demons for the fact that the Brighton conference agenda includes 166 law-and-order motions, of which a quarter call either for the return of capital punishment, or for a national referendum about it. (This might be popular, but I am talking about the opposition parties' perceptions, not the message from the opinion polls.) Other motions demand that the British Government should throw away the key, perhaps the nearest thing to a thoughtful motion on the subject is "This conference has no confidence in



the current Home Office response to the grave public concern in the field of law and order. That one seems fair enough. Emphasising the Home Office, and particularly the Home Secretary, is a healthy political activity, which ought to be encouraged. After all Mr Hurd — as we shall see — can look after himself.

Unfortunately what lies behind the no confidence motion is all too likely to be gut-reaction rather than reason. If any of the little devils who have stolen my car radio four times in the past two years had been within clipping-distance at the time, justice might have been swift. Most of us become extremely angry, and possibly desirous of revenge, when we hear of yet another ghastly act of violence in the streets. IRA murderers stimulate a totally human desire to repay them in their own bloody coin. All of this is easy enough to understand. The Ugly Right, however, stops at emotion. It does not think. Lock them up for longer, it says. Hang them.

If these remedies did any good there

might be a case for taking them seriously. The trouble is that there is no evidence that they are effective. In the United States, which is said by those who study these matters to be one of the most criminal societies the earth has ever seen, they have calculated that it would take a 38 per cent increase in the prison population to effect a 1 per cent decrease in crime. The Home Office has made similar calculations, with similar conclusions, for England and Wales. The sum simply does not support the theory of reducing crime by keeping criminals locked up for longer, or at least not at any sensible price. You could argue that hanging might be a deterrent, if criminals thought the odds were in favour of them getting punished. You would be wrong. The number of offenders "dealt with" by a police station or an appearance in court is only 2 per cent — that's right, 2 per cent — of all indictable offences. This is hard to credit, but follow the evidence. Only about a quarter of the crimes that take place are actually

reported to the police. We know this because crime survey statistics (have you been assaulted/robbed/burgled recently?) can be set against police records. Just over a quarter of recorded crimes are "cleared-up," which means the police are pretty sure who did it. Some of these are crimes committed by people convicted of other offences, or by children too young to be prosecuted; others are not worth further action. In the end the number of offenders "dealt with" comes down to less than a third of the number of offences "cleared up." It is little wonder that I found the local police supremely uninterested in those car radio thefts. Anyway, 27 per cent of all the crimes they carry in their books involve stealing motor cars or from them. Of course the clear-up rates of serious crimes of violence are much higher, but perhaps that is because so many occur between people who know one another well.

Most of these statistics were discussed at a Home Office seminar earlier this week. The Home Secretary, his junior ministers, and a selection of senior officials were there to talk about crime to an audience of businessmen (the chairman of this, the list of crime prevention measures is long. Another line to tackle might be to make sure that city-centre children really do stay in school until 16; too many simply walk out at 14).

None of this means that crimes should go unpunished, although I doubt the efficacy of some of the increased penalties that came into force yesterday under this year's Criminal Justice Act. The Home Office is well advanced in studies of new kinds of compulsory service in the community. They are evaluating three kinds of bracelet that would tell them that an offender sentenced to "house arrest" was really at home when he or she should be. There will be renewed calls for the fast-tracking of judicial procedures, including curtailing the right to a jury trial. Mr Hurd is understandably wary of this. The idea of farming out prison building and administration to the private sector has not been abandoned. Again, the list of Home Office bright ideas is large, and growing.

Mr Hurd's task at the Tory conference is to ward off accusations that he is soft on crime. Nothing he can say short of "come on, punks, make my day" will satisfy the hangers and flaggers. But there is plenty of meat for a speech that would make the Government seem thoughtful and humane about a whole range of social problems associated with crime and punishment. It could go some way to wipe out the familiar conference image of the Ugly Right. We shall see.

LOMBARD

Where the aid money goes

By Victor Mallet

CONVENTIONAL wisdom has it that Britain and other Western countries are mean about aid to Africa. They should, the thinking goes, give away far more money each year to assist this desperately poor continent with its development.

It may be so. Yet aid donors, with their aid projects, four-wheel drive aid vehicles and aid-related contracts, are already an overwhelming presence in sub-Saharan Africa. Multilateral, bilateral and non-governmental, they dominate the political and business life of many an African city.

Although we are told that Africa is not getting enough cash, harassed aid administrators in the field often compete with each other to spend their dollars and search in vain for worthwhile projects to fund. Money ostentatiously committed by their governments frequently remains unspent at the end of the financial year.

Aid organisations invariably spend \$1m of your own money to maintain a road when a donor will spend \$10m to build a new one?

Every year part of the Zambian maize harvest is spoiled by rats and by the rains; why lose sleep over organising proper production incentives, transport and storage for your own crop when the donors will step in to dump their own food or buy it for you from Zimbabwe next door? Dependency is in some cases so extreme that donors negotiating with a government will actually draft the government's replies to their own letters, then take the letter round to the relevant ministry for a signature.

Food aid — with the important exception of emergency assistance — is a particularly pernicious form of foreign intervention in Africa which continues from year to year despite repeated protests from economists and farmers.

Most countries in Africa have been described at one time or another as "potential bread-baskets", but still the cheap grain pours in from Canada, the US and elsewhere to undermine the local food market. When will it end? When governments see sense? Or when another, more serious drought in the American grain belt spells catastrophe for a continent so dependent on food from abroad?

LETTERS

The Royal Opera House has a duty to act in its own interest

From the Director of the Royal Opera House.

Sir, It is not easy for the Royal Opera House to reply adequately to its critics while litigation over its planning application is in process, but Lord Jenkins's polemic ("Plans that fall sadly short of glory," September 28) cannot go unanswered. Read as commentary on what we shall eventually

build, it is wrong, and will be shown to be wrong, in every particular.

The details of rejoinder must wait, but something of substance can be said now. The Government has made it categorically clear that, after its gift to the Royal Opera House of the land on which we shall build, not one further penny

will be forthcoming to pay for the expansion. In these circumstances it would be folly for the board of the Royal Opera House to procrastinate until that particular moon turns blue, or to wait for the equally unlikely benefit of a National Lottery, put forward by other helpful critics, to come miraculously to our aid. On such sands we cannot build.

The Royal Opera House has a duty to its public and to the nation to act in its own interest. Within the due process of these are pub laws, in which the create buildings and a public amenity both practical and beautiful into the bargain.

Jeremy Isaacs,
Royal Opera House,
Covent Garden, WC2

Quality not quantity is what matters in aid programmes

From Mr C.E. Walton.

Sir, Mr Roger Riddell (Letters, September 6), endorses the House of Commons foreign affairs committee's view that British aid programmes should not be linked with World Bank and International Monetary Fund (IMF) conditionalities. He cites Zambian where the US has recently de-linked and urges the British Government to follow suit. Unfortunately, if unwittingly, he adds weight to the impression which once

again seems to be gaining ground, that it is the volume rather than the quality of aid which matters.

In general there are two points to be made. First, there is broad agreement among donors that aid co-ordination is an essential element in aid effectiveness. In the past there have been too many instances where donors have supported programs and projects regardless of the policy framework of the countries they have been trying to assist. This has con-

tributed to the present sad situation in Africa.

Second, the determination of country policy framework and lending conditionality are not just a product of the IMF and World Bank but the result of the widest collaboration among donors, in particular through the consultative groups in which the concerned country fully participates.

It is not good enough for some donors to be closely associated with what is a thorough process and then act indepen-

dently of its conclusions. Of course, nobody would deny donor the right to act independently but it would be erroneous to jump to the conclusion that the additional resources transferred will necessarily further the development process. One of the reasons why the British Government's aid program is so effective is because it has refused to follow this course.

C.H. Walton,
Wolston College,
Oxford

Why the brakes are on in the headlong flight to 1992

From Mr Bryan Glover.

Sir, There seems to be a general air of surprise that the British Prime Minister, if not actually back-pedalling, is certainly stepping with some force on the brakes with respect to our headlong flight to 1992 and the implementation of the Single European Act. A brief comparison of equivalent areas of legislation ought, however, to

dispel such surprise.

Compare the laws in the UK on such subjects as pensions, minimum wages, social security and the rights of individual trade union members — many of which have been enacted during the last decade — and the reluctance of the Prime Minister to permit full integration becomes clear. In many areas, particularly that

of equal opportunities, Britain comes bottom of the European league.

In her speeches, Mrs Thatcher has characterised the difference between her Government and those of the rest of Europe in that she has distanced herself furthest from the exercise of individual choice. For such as myself, a lifelong National Health Ser-

vice worker, the opposite is closer to the truth.

I was looking forward to 1992 as a major step towards improving not only my personal conditions of employment, but also the quality of the services I am permitted to provide. Now, I am not so sure.

Bryan Glover,
14 Wensley View,
Leeds

The fact is that British exports are not doing well

From Mr J.J. Campbell.

Sir, It is not bizarre, as you comment in your leader ("Tests for UK economy," September 28) that trade figures which are the second-worst ever can be hailed as a success, leading to a surge in the FTSE and a 1/2 per cent improvement in exchange rates?

The British Exporters Association has been warning the British Government for the past two years that the growth in sales abroad was short-term, based on the weakness of sterling, and that unless some radical steps are taken to improve the UK's export performance, there is a real danger of long-term deficit.

Proposals to streamline the provision of export support, under a single Cabinet-level minister, proposals to restructure the way in which the UK disburses aid to make more of it bilateral; taking Britain into the EMS to reduce the adverse effects of currency fluctuations; a reform of the corporation tax laws to give incentives to exporters — all these have been cogently put to the Government — and duly ignored.

Mr Nigel Lawson, the Chancellor of the Exchequer, claims that "exports are continuing to perform well" and lays the blame for the deficit on too much domestic growth and

high consumer demand. The fact is that exports are not doing well. Projecting forward from the eight-month figure of \$52.7bn to a 12-month of £7.9bn, and allowing for inflation, the UK is actually performing worse than it did in 1987.

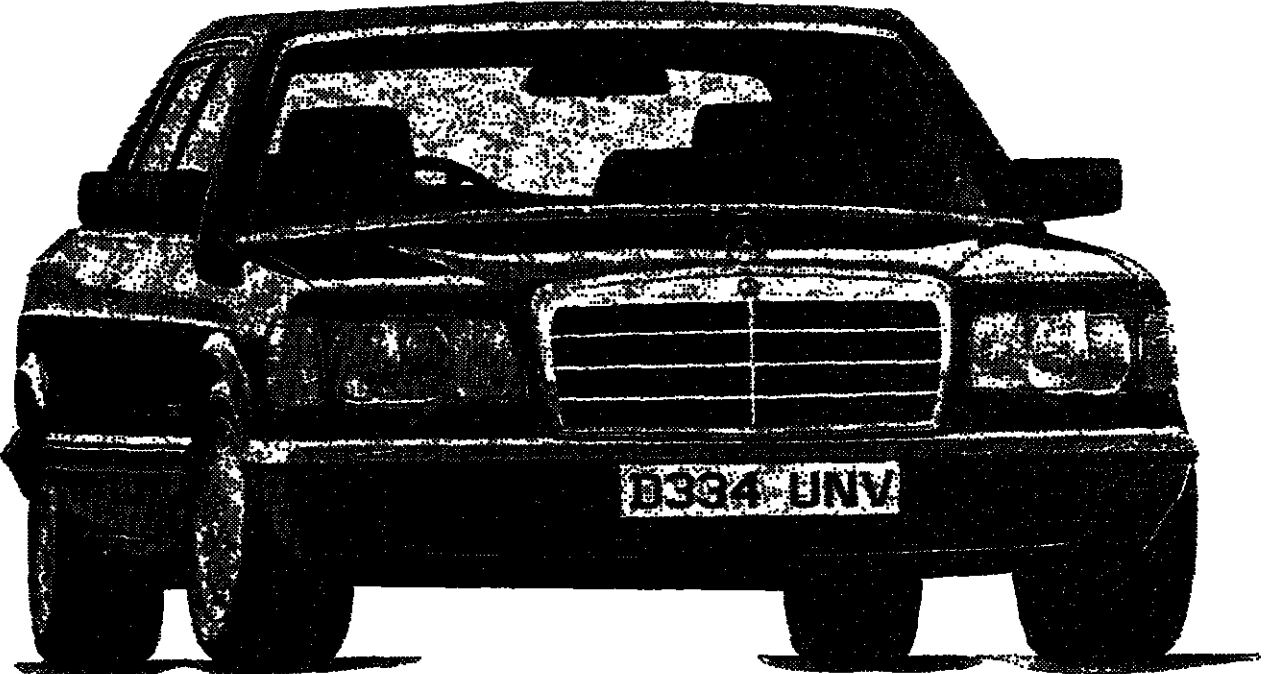
Unless there is a dedicated single-minded approach to improving export performance on the part of Government and industry, then the UK's 1989 trade deficit could top £20bn.

A final comment on the efficacy of Mr Lawson's interest rate strategy. Given that imports of consumer goods are up by 12 per cent over the past year — which is only a slightly

higher figure than the sum of actual growth in the economy plus inflation — while it is capital goods, raw materials and inputs for industry which are up by 25 per cent, can the Chancellor explain how the equation works?

A 12 per cent base rate may reduce consumer demand slightly, but it is not going to help British industry to become more competitive in the international marketplace — which is where we must seek our salvation, if it is to be found anywhere.

J.J. Campbell,
British Exporters Association,
16 Dartmouth Street, SW1



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IMF gathering ends with upbeat outlook

By Philip Stephens and Stephen Fidler in Berlin

MR Michel Camdessus, managing director of the International Monetary Fund, yesterday wound up the Fund's annual meeting with an upbeat assessment of prospects for improvements to the international monetary system.

His comments came as Mr Barber Conable, his counterpart at the World Bank, defended the Bank's decision to extend \$1.25bn in loans to Argentina before it has agreed an IMF adjustment programme.

The last day of the Fund and Bank gatherings, which have been marked by massive security and regular battles between police and protest groups, saw renewed demonstrations in the centre of Berlin, with some streets blocked by blazing cars.

In his closing address, Mr Camdessus said that he had been struck by the recognition among governments that it was time to look at ways to strengthen the present exchange rate system. There had been a "rising ferment" in favour of addressing a number of key monetary issues.

He indicated that the Fund intended to examine in detail several options raised during the week. These include greater use of economic performance indicators in international policy co-ordination and an enhanced role for the Special Drawing Right (SDR) in exchange rate management. It would not, however, be

seeking a theoretical blueprint for a new monetary system.

Mr Camdessus, who earlier in the week was strongly criticised by Britain for suggesting it might need to tighten its fiscal policy, also insisted that the meeting had recognised that governments should not rely solely on interest rates to control their economies. Fiscal and structural policies should play a more important role.

His comments on the debt crisis reflected the determination of most industrial countries to stick with the present "case-by-case" approach. "I do not believe that a lasting solution to this complex problem can come from any other approach", he said. But it was similarly imperative that the

strategy be strengthened to enhance growth in developing countries and improve their debt-servicing capacity.

Mr Conable cited broad support for a "pragmatic evolutionary approach" to the debt crisis which should include the provision of new money and the voluntary reduction of debt.

However, he said "performance" by the indebted country is the real key. "The approach only made sense when the country had embarked upon economic adjustment that would lead to growth."

Defending at a press conference the Bank's controversial decision to recommend \$1.25bn of loans to Argentina before an IMF economic programme was

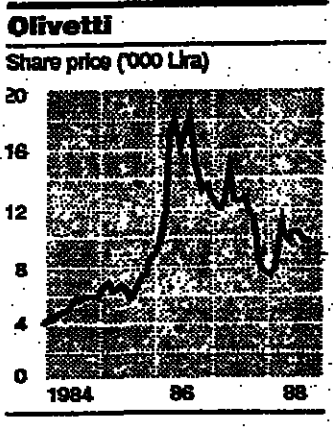
Mr Bond pays for another round

Almost a year since the global stock market crash was supposed to have rid the international stage of highly indebted stock market operators, the Australian predators are still very much in evidence; and none more so than Mr Alan Bond whose ambitions appear to be even bigger than his borrowings.

Having underlined his faith in Standard Chartered's recovery by agreeing to underwrite its rights issue, Bond Corporation is now tweaking the tail of Allied-Lyons, and it would be dangerous to underestimate its ability to make life difficult for Britain's second biggest brewer.

The stock market may have been hoping that someone of more substance than Mr Bond had been building up a stake in Allied. For it is hard to see how even his generous bankers would be prepared to finance a bid for a company more than seven times Bond's size. Consequently, there must be other motives for the continuing stake building. Given the growing enthusiasm for defensive share swaps among some of the better known members of the European business establishment, Mr Bond might just feel it is worth taking some pre-emptive action to defend his position before it is diluted in the interests of 1992.

Having established himself as one of the biggest if not the most profitable brewers in the UK, Mr Bond may simply be trying to get Allied to speed up its plans to help him expand in Europe. However, this is probably being over-generous; and there may well be other predators out there who share Mr Bond's view that Allied's shares, at 11 times earnings, are not particularly expensive.



there were far more buyers than sellers in the Italian market as a whole cannot have hurt.

Reorganised or not, Olivetti could well disappoint shareholders again at the end of the year with net earnings down by as much as 10 or 15 per cent - despite Mr Carlo De Benedetti's prediction that turnover will rise by at least 8% per cent. Olivetti can scarcely be blamed for suffering from the industry-wide ills of margin pressure caused by high component prices and foreign competition; but if it is to continue to deserve a prospective rating of 15 or 17 times earnings - a substantial premium to the average Italian market multiple - it will need to do a more than average job of dealing with these problems.

In the short term, shareholders may wish to see speculation over strains with AT&T continue; such uncertainty may be good for a stock which could be seen as a bid target.

China eats itself into a food shortage
 Colina Macdougall examines the adverse effects of the national appetite

FOOD is an obsession in China. One distinguished Taiwanese writer - in a book banned but nevertheless widely read in China - has even claimed it is a substitute for sex.

"Every one of China's 1.1bn people wants to eat lean pork and drink beer," Li Guizian, governor of the People's Bank, commented bitterly earlier this year.

As urban wages have rocketed, so has China's consumption of food. Restaurants, massive users of the country's food resources, have had a field day as expense account banqueting has become nationwide big business.

The Chinese are simply eating too much for their present state of development, claims an economist in a recent issue of the China Newsletter, a magazine of the Japan External Trade Organisation. He quotes a table compiled by China's Academy of Social Sciences to show that China's meat consumption in 1986, when per capita gross national product was \$465, was three times that of South Korea in 1978, which had a per capita GNP of \$1279.

While it may be unjust to criticise calls for a better diet in a country where millions have lived near or below the breadline for generations, such demands have fuelled enormous pressures which the present state of Chinese agriculture cannot continue to meet.

Along with the new demand goes a parallel fear of shortages. It does not take long for a run on the banks and a surge of panic buying, such as occurred last month, to sweep all the food off the shelves. In the jittery atmosphere of a few weeks ago, Hu Qili, a senior



Chinese cooks struggle for a recipe to meet demand

leader, found it necessary to deny that there was any comparison with the "three difficult years" of 1959-61, when 16m people died of malnutrition.

China has not yet tackled the root of the problem: farmers' incentives to produce more are tightly limited. Grain prices are semi-controlled, while vegetables and meat move regularly from glut to shortage and back again. In time of shortage, Peking applies price ceilings and authorises new rationing and subsidies. Foods such as pork and eggs are not effectively rationed by price and there is little beside these relative luxuries to mop up spending power.

Now that the leadership has postponed price reforms for another two years, there is no

immediate chance of getting the right price balance between food, services and other commodities.

Price is also a factor in the slow growth of grain production. This year the harvest is not expected to reach its target of 410m tonnes, or even the previous peak, in 1984, of 407m tonnes. This is partly due to bad weather but more to low prices and the declining benefits of rural reform.

Next year's harvest may also be below expectations because of a shrinkage in the sown area, China Daily said last week. Nor are the long term prospects particularly bright, with the target for 1990 of 450m having been postponed until 1992.

The reform programme,

launched by Deng Xiaoping, the Chinese leader, in 1978 was highly successful for the first few years but has run out of steam. A turning point came in 1984 when the old Maoist communes were finally disbanded and the quotas for grain-growing given up in favour of a new contract system, but without much in the way of new prices. Acreages sown to grain dropped at once as farmers turned to more profitable activities in rural industries.

What payment farmers receive from the Government barely covers costs such as those of fertiliser and pesticides which have risen hugely in the past few years. For political reasons Peking is frightened of raising the grain price and leave the urban consumer to pay more.

The unbalanced pricing system has also caused the country to lose farmland. Nearly half a million hectares disappeared from cultivation altogether in the years 1980-86, according to the State Statistics Bureau.

The rise of rural industry, to which the farmers turned for new profits, is partly to blame. So is the widespread building of new houses. Brick manufacture, a popular new activity, uses land up twice over, once in the space it occupies and again as raw material.

As families move to work in the new industry, they leave their plots fallow. The plan was that these should be transferred to households that wanted to stay in the farming business, but no-one wants to surrender land which could provide a living if the reforms were terminated. In south China, the China Daily said earlier this month, there are more than 12m hectares of idle land, half of which was recently in cultivation.

Farming has also become less efficient. Much farmland is more vulnerable to the weather than under the old Maoist system, because private farmers no longer bother to keep up communal dykes and irrigation. Nor do they maintain the structure of the soil with organic fertilisers, the Chinese press complains.

Chinese farming has to contend with overpopulation, a shortage of land and devastating weather. But until the leadership can complete the reform and ensure that prices paid to the farmers reflect the costs and effort of producing foodstuffs, not to mention their scarcity, the problem is unlikely to come anywhere near solution.

millionpound market shows no one is prepared to let gilt prices fall. Given that index linked gilts yield about 4 per cent, the 8.5 per cent yield on long gilts seems to include precisely no premium for risk, assuming inflation of 5.5 per cent. The long end of the market has come to reflect less the strength or otherwise of the economy, than the Bank's purchases of gilts to redress the Government's budget surplus.

Even though the Bank appears to have been a less aggressive buyer this month than over the summer, the market is not taking any chances. After all, there seems no point in pushing prices down, when all that would be achieved is to allow the Government to buy back its debt more cheaply.

United Newspapers

One of the advantages of having a low stock market rating is that disappointing figures do not do much damage, and United Newspapers' prospective yield of over 6.5 per cent and a single figure p/e multiple meant that an unexpected 1 per cent fall in earnings left the share price almost untouched yesterday. The immediate past at United has been marred by a mixture of bad luck and bad judgment. The move down market at the Star has cost untold millions, Eitel is finding life more difficult after the crash, and even the sale of the Fleet Street office seems to be taking longer than might have been hoped.

However, it is not just United's rating that makes shareholders forgiving, as their eyes are firmly on the future savings to be made by cutting the newspaper workforce by two thirds. According to the company, costs will be \$40m lower by 1991 - equivalent to over a third of the likely profit for the entire group this year. Higher newspaper prices and increased promotional costs will take care of some of that, but leave enough to keep earnings moving up sharply for the next three years. Some would say that makes the shares a steal, but given that the big benefit to earnings has been just round the corner for some time now, the rating may not be so unfair, after all.

Soviets put terms on arms cuts in Europe

By David White in Stockholm

MOSCOW IS READY to negotiate away the advantage it has over the West by shedding tanks and artillery, but only in exchange for one-sided cuts in Nato's strike aircraft, Marshal Sergei Akhromeyev, Chief of the Soviet General Staff, said yesterday.

In a lecture organised by the Stockholm International Peace Research Institute, he said forthcoming talks on deployment of conventional arms in Europe would be meaningless unless they dealt with offensive aircraft - in which,

Moscow claims, Nato has a superiority of 1,500 units.

Nato and the Warsaw Pact have for 18 months been discussing establishment of a new forum to consider conventional weaponry throughout Europe.

Mr Mikhail Gorbachev said this week that "agreement was nearing" on setting up the Conventional Stability Talks (CST), despite difficulties over the mandate and weapons over human rights at a related European security conference.

He hinted that there should be separate negotiations on

naval forces, arguing that the US had twice the Soviet strength in big warships and sea-based aircraft, and absolute superiority in attack aircraft carriers.

Soviet officials indicated that Moscow might make unilateral reduction in conventional arms in order to make a breakthrough in the talks, but major cuts would have to be mutual.

A unilateral move would presumably be intended to "set the ball rolling" in a European disarmament process. This, in

the Soviet view, would begin with an exchange of data on troop strengths, followed by the elimination of "asymmetries" and withdrawal of 500,000 troops by both sides.

He reiterated Moscow's promise to move towards a "purely defensive" stance and said the Soviet Union was taking steps to change the configuration of its forces in Europe in order to ease Western concern. Hitherto stated Soviet policy has been to repel aggressors by a "mixture of offensive and defensive means."

Piper Alpha safety 'breakdown'

Continued from Page 1

form and the pumps may also have been damaged by the initial blast.

Had water been available it might have kept the structure cool enough to contain the spread of fire.

No alarm was sounded and an announcement was made to abandon the platform.

The fire was subsequently fed by crude oil and nearby tanks of diesel fuel. After 20 minutes, high-pressure gas pipelines leading to other platforms in the area had ruptured, causing a huge explosion which destroyed the whole of Piper Alpha in a ball of fire.

Although most platform workers were trapped by the flames in accommodation units, those who tried to escape found that lifeboats would not inflate.

Mr Petrie has stressed that the findings of the report are tentative. Alternative theories are offered about the initial cause of the blast and these could be altered as the investigation continues.

Mr Petrie's letter is the second to the industry since he began his inquiry, immediately after the disaster.

25% of the daily turnover in French government bonds is done in London.

So too is nearly 20% of the turnover in French equities.

But with the creeping deregulation of their financial markets, are the French about to get their own back?

Find out in this week's Economist.

Gonzalez attacked on US 'nuclear' pact

By Tom Burns in Madrid and Nancy Dunne in Washington

MR FELIPE GONZALEZ, the Spanish Prime Minister, suffered a barrage of criticism from opposition groups yesterday over a new bilateral defence agreement Spain has concluded with the US.

The pact was announced late on Wednesday at the United Nations by Mr George Shultz, the US Secretary of State, and Mr Francisco Fernandez-Ordonez, Spanish Foreign Minister.

The opposition claims that under US pressure Mr Gonzalez has reneged on the terms of a 1986 referendum and allowed

the possibility of US nuclear weapons on Spanish soil.

The US is in the midst of difficult negotiations for agreements with new base agreements. The State Department yesterday expressed "delight" that "we finally got one of them nailed down."

Most of the provisions of the pact had been agreed earlier in the year. For the first time since US-Spanish defence agreements began in 1953, the agreement contains no economic or military aid commitments. It allows the US eight

more years military use of Spanish bases.

However, it also requires the removal of 72 US F-16 fighter aircraft within three years. This is the first unilateral reduction of US forces in a European country since France withdrew militarily from Nato in 1966. The F-16s will be redeployed in Italy with most of the costs of the move to be paid by Nato infrastructure funds.

The bilateral agreement will almost certainly be approved by the Spanish parliament where the Socialist Party has a

disciplined majority. But as far as public opinion is concerned what matters is that the Government will not be able to verify whether nuclear weapons are entering Spain, because it has undertaken not to ask whether this is the case.

The Centro Democratico y Social (CDS), Spain's liberal party which is led by former prime minister Mr Adolfo Suarez, said the renewed agreement appeared to contain "a serious contradiction over the nuclear issue."

Future of US bases, Page 3

WORLD WEATHER

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Amsterdam	10	10	10	London	12	10	10
Antwerp	10	10	10	Madrid	15	10	10
Birmingham	10	10	10	Paris	12	10	10
Bombay	28	10	10	Rome	15	10	10
Buenos Aires	15	10	10	Stockholm	10	10	10
Calcutta	28	10	10	Tokyo	15	10	10
Cardiff	10	10	10	Washington	15	10	10
Chennai	28	10	10	Wellington	15	10	10
Colombo	28	10	10	Yokohama	15	10	10
Copenhagen	10	10	10				
Dublin	10	10	10				

Gorbachev 'set for sweeping reforms'

Continued from Page 1

The open question is why Mr Gorbachev felt it necessary to call an unwieldy central committee plenum to discuss internal party reform when the ruling Politburo had already been given a mandate to work out the details.

The Soviet leader said in a speech to newspaper editors last week that the Politburo had passed a resolution which would result in substantial cuts in the central committee bureaucracy, although the axe would fall less brutally at pro-

vincial level. That already suggests a degree of compromise.

However, in spite of a switch in style from passion and ebullience to grim realism, the Soviet leader has shown no sign in his public pronouncements of backing down on the reform process.

On Wednesday he told the conservatively inclined East German leader, Mr Erich Honecker, that reform on all fronts was essential. "Any one of our current burning problems underlines the necessity

for radical change," he said. "It is needed in the party, in the state, in agriculture, in personnel policy, and most of all in people's mentality."

The two emergency meetings set off a formidable reform agenda for the next six months.

Constitutional reforms, including the creation of a super-parliament, transformation of the Supreme Soviet into an active standing legislature, and creation of an executive presidency, are being drafted



INTERNATIONAL COMPANIES AND FINANCE

VW to build DM3bn car assembly plant in Spain

By Kevin Done, Motor Industry Correspondent

VOLKSWAGEN, the West German automotive group, is to build a car assembly plant in Spain as part of the expansion of its local Seat operations.

Mr Carl Hahn, Volkswagen chairman, said the plant will have a capacity to build 1,500 cars a day, close to 350,000 units a year, and will come into operation in 1992.

The plant is to be located at Martorell, near Barcelona, and will form part of VW's DM8.5bn (\$4.5bn) spending plans for its Spanish operations over the next 10 years. Mr Dieter Ullsperger, VW finance director, said the new plant would cost close to DM3bn.

Mr Hahn said VW would maintain its two Spanish plants at Barcelona and Pamplona, reversing an earlier plan to close the Barcelona location. VW is developing Seat in Spain as its European small

car production centre. It acquired a 75 per cent stake in the Spanish car producer in two stages in 1986, and will move to 100 per cent control by the end of 1990.

The new production capacity will be added to output of around 450,000 units a year, said Mr Hahn, of which Seat models account for some 350,000 and local assembly of the VW Polo around 100,000.

He said the group aimed to increase Seat sales to more than 500,000 units "in the foreseeable future" and the balance of the Spanish production would be used to assemble VW products.

VW had considered completely transferring assembly of its Polo small car to Spain from West Germany, but has postponed such a step in the face of opposition from the German trade unions. The group is assembling some 500 Polos a day at Pam-

plona or 115,000 cars a year, but the plant is working at little more than 50 per cent of its 850-900 units a day capacity.

As part of the financing of its Spanish plans, VW has switched into pesetas some \$120m of a DM800m bond with warrants it issued last week.

Following the sale by the West German Government of its 20 per cent stake in VW, the company has begun to widen its presence in international capital markets.

VW shares will be listed in both London and Paris this week, and Mr Ullsperger said they should also be quoted in Tokyo by November/December.

Since July the company has also had a sponsored unlisted ADR programme in the US, but Mr Hahn said a stock exchange listing in New York was currently ruled out because of the "substantial extra burden" of complying with US reporting requirements.

Marriott earnings up in third quarter

By Deborah Hargreaves in New York

MARRIOTT, the US hotels and food service group, yesterday reported a 19 per cent rise in third-quarter earnings after a strong performance in all of its three main divisions.

Earnings per share rose to 50 cents from 42 cents in the same period last year, with net income up to \$58.2m from \$56.7m.

The net income figure was affected by higher interest expenses in connection with the company's share repurchase programme, which it launched this year.

Third-quarter sales rose 12 per cent, to \$1.67bn from \$1.5bn.

Mr J.W. Marriott, the company's chairman and president, said he continued to expect "solid gains for the balance of the year." Marriott is carrying out an aggressive expansion of its hotel chain involving the addition of 87 new hotels in the last year.

In the first nine months of this year, the company posted a strong gain in its per share income to \$1.39 from \$1.17 in the same 1987 period, with net income increasing 4 per cent to \$167.5m from \$161.3m.

Net income will continue to be slightly diluted by the company's share buy-back plan, under which it expects to purchase 20m shares by end-1989.

Sales for the nine months rose to \$5bn from \$4.4bn in the corresponding 1987 period. Marriott's share price was unchanged yesterday at \$30.

Goodyear keeps grip on top spot

John Griffiths on a US group's plans to fend off 'Japan Inc'

Goodyear, the world's largest tyre maker, plans to reduce its \$3bn-plus debt burden sharply by the end of next year and is well on target to do so, according to Mr Robert Mercer, its chairman.

He predicts the heavy debt load the company is still carrying, from spending \$2.6bn to fend off a hostile takeover attempt led by Sir James Goldsmith, would be reduced to 50 per cent of capital by the end of next year.

That compares with 67 per cent now and 82 per cent in the immediate aftermath of the Goldsmith "raid" two years ago, of which Mr Mercer, 64, still speaks with controlled anger.

Even at 50 per cent, Goodyear's indebtedness would still be well above its customary pre-raid levels.

"Fifty per cent is still high; we traditionally think in terms of 35," said Mr Mercer during a stop-over in London to meet investors. "But I'm not sure that the old measurements are appropriate any more. Our competitors carry high debt-to-equity ratios and it doesn't seem to be troublesome to them."

A greater concern now is to maintain and increase the capital investment and research and development levels it regards as necessary to preserve its world "number one" status in the face of mounting competition.

Goodyear, based in Akron, Ohio, made a record net profit of \$770.9m last year on net sales of \$9.9bn, up sharply from \$124.1m on a \$9.05bn turnover a year earlier, although nearly \$250m of this was accounted



Robert Mercer: tackling \$3bn-plus debt burden

for by asset sales.

In the first half of this year sales are ahead by a further 10.9 per cent, although profits were less than hoped at \$390.2m.

Research and development spending is in excess of \$270m in the current year, and Mr Mercer makes clear that Goodyear has no option but to maintain high investment levels if it is to ward off the challenge to its world-leading position. This challenge has emerged this year in the form of the takeover by Bridgestone of Japan of Firestone of the US, as well as a long-standing one from Michelin of France.

And while he insists that the takeover of Firestone has not provided Bridgestone with "one bit of extra capacity" - requiring Bridgestone to cut Firestone tyre output if it wants to build up Bridgestone's own name in the US - he acknowledges that Bridgestone in the end will be seeking to increase capacity,

almost certainly with the hope that it will be at Goodyear's expense.

In North America at least, Bridgestone would be helped in this respect by its favourable position with Japanese "transplant" vehicle manufacturing operations in the US, from which 1.5m cars and vans a year are expected to flow by the end of the decade.

Like other aspects of "Japan Inc.", suggests Mr Mercer, Bridgestone is after "world domination" of the tyre industry.

However, "we will not yield number one as long as we keep our research and development focused. Technologically, we've got a head start on them."

Reminded that Bridgestone scored a major publicity coup for its technology when Porsche made it the sole supplier for its near-200mph 959 model, Mr Mercer declares that "it was most the most expensive supply contract ever for Bridgestone - technically they simply can't do it across the board."

Central to Goodyear's debt reduction strategy, however, is the sale of the 1,250-mile trans-America oil pipeline it built as part of its diversification strategy.

Goodyear has held preliminary talks with a consortium on its sale, but Mr Mercer is unforthcoming about its identity. However, he insists that the sale - Goodyear is asking \$1.4bn - should go ahead within the time frame to meet next year's debt reduction target.

The pipeline sale plans are running parallel with cost-cutting and productivity measures being applied to Goodyear's

plants - numbering more than 30 worldwide - as it moves away from a vertically integrated structure in favour of developing horizontally two separate global businesses: tyres and general products.

Putting the necessary structures into place is well advanced. Both divisions are being given substantial amounts of autonomy in order to adapt the operations of the tyre division, in particular, to suit the rapid globalisation of the vehicle industry which it supplies.

Currently, Goodyear is in the middle of a two-month programme to streamline its management operations in the US. "We're taking out a tier of vice-presidents and other senior managers as part of the shift to the global, horizontal structure," says Mr Mercer.

At lower levels, the worst of the post-Goldsmith cutbacks may be over - following a fall in total employment from 150,000 to 115,000 - for lack of demand is said to be not one of Goodyear's problems.

Manufacturing efficiency has been improved to the point where only 10 man-minutes are needed to make a typical tyre in a Goodyear plant in the US, compared with 30-40 minutes in many other non-Goodyear plants, says Mr Mercer.

And through using existing capacity much more intensively, involving wholesale moves to seven-day, multi-shift working, Goodyear claims to have got its unit cost down to a lower level than in South Korea, "despite a US worker needing to be paid \$18 an hour compared with \$3 an hour for a South Korean."

McGraw-Hill education deal

MCGRAW-HILL, the New York book and magazine publisher, has bought the college and school-book division of Random House for an undisclosed sum, marking a further restructuring of US publishing.

Mr Joseph Dionne, chairman, said McGraw-Hill was attracted to the acquisition by forecasts of strong growth in the education market, a key sector for the company.

At the same time, the company was continuing to divest itself of peripheral businesses such as general books and the training division. Several analysts suggested the deal might be worth more than \$100m.

McGraw-Hill has been a rumoured takeover candidate for more than two years. It has yet to attract a concrete offer although many of its competitors have been involved in

fierce fights for independence.

To try to fend off raiders, McGraw-Hill has managed to bring some improvement out of lagging business sectors, such as its book division. Moreover, BusinessWeek, its leading magazine, has held up better through a decline in financial advertising than many of its competitors.

It has also disposed of fringe activities

TVX to start work on Chile gold mine

By John Barham in Sao Paulo

TVX, a Canadian-owned company based in Rio de Janeiro, is soon to begin working a \$300m Chilean gold mine which it says contains 5m ounces of gold.

Mr Ian Trelford, a senior TVX executive, said the La Colpa mine will come on stream next January and should produce 100,000 ounces of gold.

Output is planned to increase to 500,000 ounces a year after 1991, when the

mine's second phase expansion is complete.

Mr Trelford said he and other Canadian investors created TVX five years ago to "join the Brazilian gold rush."

It now has minority stakes in four gold mines.

Its Brazilian partner is Mr Jelle Batista, son of a prominent mining executive. Mr Batista and TVX, which bought the La Colpa mine from Consolidated Gold Fields in January 1987 for \$30m, have

become increasingly interested in Chile.

TVX has financed its activities with bank lending and \$150m of equity raised on the Toronto Stock Exchange and through debt swap operations. The \$160m second phase expansion of La Colpa will be financed through an exchange of Chilean debt for TVX debt.

The company lost money until 1987, when it broke even. It forecasts a \$10m profit this year, rising to \$40m in 1991.

Du Pont to build \$25m Texas plant

DU PONT is to spend \$25m building a commercial-scale plant to make substitute chemicals for the chlorofluorocarbons suspected of damaging the ozone layer, writes Peter Marsh.

The plant, in Corpus Christi, Texas, will produce HFC-134a, an alternative to a chlorofluorocarbon called CFC-12 which is used in refrigeration.

The company said earlier this year it was phasing out its production of the chemicals in response to fears about their environmental effects.

Roche to sell US cancer drug in Europe

By Peter Marsh

F. HOFFMANN-La Roche, the Swiss pharmaceutical company, yesterday announced an agreement under which it will sell in Europe a new US-developed drug that could have a big impact in treating cancer.

The agreement is with Amgen, a US biotechnology company that has developed Neupogen, a medication based on a naturally occurring hormone which can strengthen the immune system by stimu-

lating the production of white blood cells.

Scientists believe drugs like Neupogen, which is in the late stages of trials on patients, may have a role in helping the body to fight bacterial infections which commonly are associated with some forms of cancer.

Amgen and Roche hope to apply next year for product licences to sell the product, in the US and Europe respec-

tively. Under the normal procedures for licensing medications, the formulation could be expected to go on sale in the early 1990s.

Ms Sarah Gordon, an analyst at Hambrecht & Quist, a New York bank, said Neupogen could be a significant product with annual sales of up to \$400m by the mid-1990s.

Several rival pharmaceutical companies are developing drugs similar to Neupogen,

which is based on a hormone called Granulocyte Colony Stimulating Factor (G-CSF). Of these companies, Chugai of Japan is thought to be the nearest apart from Amgen in putting its product on general sale.

Roche said yesterday it did not want to elaborate on the terms of the agreement with Amgen. It said Neupogen was an interesting product and a "fantastic opportunity."

This announcement appears as a matter of record only.

New Issue

29th September, 1988



FURUKAWA CO., LTD.

U.S. \$100,000,000

5 1/8 per cent. Guaranteed Notes 1992

with

Warrants

to subscribe for shares of common stock of Furukawa Co., Ltd.
The Notes will be unconditionally and irrevocably guaranteed by

The Dai-ichi Kangyo Bank, Limited

Issue Price 100 per cent.

Yamaichi International (Europe) Limited

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ANZ Merchant Bank Limited

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Merrill Lynch International & Co.

Morgan Grenfell Securities Limited

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New Japan Securities Europe Limited

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Norinchukin International Limited

J. Henry Schroder Wagg & Co. Limited

Swiss Volksbank

Taiheyo Europe Limited

Tokai International Limited

Westdeutsche Landesbank Girozentrale



The Association of International Bond Dealers

AIBD Reporting Requirements

United Kingdom-based members of AIBD will have to report all transactions in international securities to the Association from April 3, 1989. AIBD reporting dealers and inter-dealer brokers will have to report transactions with professional counterparties from January 3, 1989.

On October 1, 1988 new AIBD rules will come into effect that impose reporting requirements on members of the AIBD which carry on investment business in the United Kingdom and who are subject to a requirement to report transactions in international securities under rules made pursuant to, or by any self-regulatory organization recognized under, the Financial Services Act 1986.

Members falling in that category must subscribe to the AIBD Trax system for the purposes of transaction matching and must report to the AIBD every transaction in international securities, whether or not entered into with a member of the AIBD.

AIBD reporting dealers must, from January 3, 1989, report via Trax every transaction in international securities entered into with another reporting dealer or an inter-dealer broker. Inter-dealer brokers must from the same date report all transactions in such securities with reporting dealers.

Details of the rules will be mailed to members early October, 1988.

It is imperative that members affected by the new rules have appropriate resources in place to connect to Trax by the dates applying to them. For further information on Trax members are asked to contact AIBD (Systems and Information) Limited in London on 538 5656.

John Wolters
Secretary General

INTERNATIONAL COMPANIES AND FINANCE

Spanish one-arm bandit on Soviet jackpot trail

Tom Burns looks at an odd business gamble

When Spain's top one-arm bandit manufacturer sits down next week to talk exclusive gambling deals and joint ventures with senior Soviet officials he might well reflect on how the long road to Moscow, and to a jackpot of riches, started at a US military base.

Mr Joaquin Franco, who owns Recreativos Franco with his younger brother, Jesus, first heard the clatter of a pinball's flippers and the jangle of a beckoning fruit machine in the early 1960s when he was a barman at the USAF base of Torrejon de Ardoz, near Madrid.

Francisco junior, who was then a sergeant working in West Germany and had acquired some mechanical skills, was summoned home by his elder brother and the two set about building for Spaniards the games the Americans played.

Twenty-five years on the Franco brothers are poised to build them for perestroika punters. Mr Joaquin Franco has discovered that the Soviet authorities "are in a real hurry for our machines."

Next week's talks in Moscow are the follow-up to a successful pilot scheme that involved the installation in August of gaming rooms with 50 Recreativos Franco machines at Moscow's Intourist and Kosmos hotels and at a further two in Yalta.

The machines swallow up about 25 US cents which can only be bought with foreign currency and they have a \$4,000 jackpot. Mr Franco will not reveal how much he is willing to invest in the Soviet Union nor what he expects to make but he does say he is very satisfied with the experiment.

He estimates that average daily earnings per machine in the Soviet Union have been \$33 after paying out 80 per cent of what is gambled. The aim now is to create similar 50-machine gambling saloons in some 300 hotels in the Soviet Union and that will only be the start.

Last month Mr Franco was

toasted by the State Committee for Foreign Tourism at a reception in Moscow as "the man who will install 150,000 machines over the next 10 years in the Soviet Union."

What the Franco brothers view as an obvious possibility is a joint venture to build and develop in the Soviet Union their range of fruit machines, pinball machines and video games. The Soviet breakthrough was the result of an allegedly heated but always utterly confidential selection process among as many as 40 international gaming machine manufacturers.

No tender was announced and those in the running for the Moscow connection did not know until May that their business was being scrutinised.

Mr Franco had been tipped off in May that Moscow might be ready to lift bans on fruit machines. His informant was an acquaintance who had been sent to grow up in the Soviet Union during the Spanish Civil War, had later returned to Spain and has since travelled frequently to Moscow.

When Mr Franco rang up the Soviet Embassy in Madrid, introduced himself as Spain's premier fruit machine builder and operator and asked to speak to the commercial attache, he was quickly put through and told that a letter suggesting a meeting had been posted to him the previous day.

The Soviets had done their homework. They knew that Recreativos Franco had some 25,000 fruit machines operating up and down Spain, mostly in bars, and that it manufactured 400 machines a day. The company's products have earned the backhanded compliment of being the most copied and pirated machines on the Spanish market.

The strength of the company lies partly in its research and development team, which is constantly devising new ways of encouraging people to part with their money. Mr Franco believes that fruit machines are "like pop records" in as far

as they are played incessantly at the beginning and soon grow stale.

Recreativos Franco machines have a three-month lifespan and are then redesigned to incorporate different payout systems and new jingles.

The other cornerstone of the business is the joint-venture system that Recreativos Franco has created with small operators all over Spain. The mainstream company has more than 200 subsidiaries and each of these is essentially a franchising deal between the Franco brothers, who supply the machine, and the man in the spot, who installs it in the bars of his area and controls the takings.

Clearly the Soviet investigators had liked what they saw of Recreativos Franco. In late June, by this time in Moscow, Mr Franco was asked by officials of the Foreign Tourism Committee how long he would take to create the four experimental gaming rooms.

The Spanish entrepreneur said two months and promised that everything would be ready by August 20. "We had to build the machines, transport them to Moscow and Yalta and decorate the gaming rooms. We took mechanics, painters, carpenters, everything and everybody," says Mr Franco.

The gambling saloons opened on time. The speed of delivery impressed the Soviet authorities. As they sit down now to negotiate further ventures with Mr Franco they will also discover that he is a tenacious man who drives hard bargains because he has come up the tough way.

As a teenager, before he began work at the Torrejon air base, Mr Franco escaped from subsistence living in his home village in La Mancha by walking for two days and one night to Madrid and to a job scrubbing floors in a rundown bar. The bar still stands but looks more prosperous - it has two gleaming "Baby Bomb" fruit machines, compliments of Recreativos Franco.

Equity earnings help lift Goodman

By Chris Sherwell in Sydney

THE OPERATING profits of Goodman Fielder Wattle, the Australian food giant, have been hurt by poor trading conditions and heavy interest expenses, the group's latest results showed yesterday.

But stronger equity earnings contributions from its investments, including Banks Floris McDougall of the UK, compensated for the setback and brought an overall profit improvement on 1987-87.

In reporting its figures for the year ended June, the group said it was seeking offers for its 29.9 per cent holding in RHM, having called off its \$1.6bn (\$2.69bn) takeover bid last month when it was referred to the Monopolies and Mergers Commission.

The figures, which include results from the merger with Wattle Industries, showed an operating profit after tax and interest of A\$103m (US\$81m), up a paltry 7.3 per cent on the previous year's A\$95m.

The figures, which include the figure was A\$200.5m, up 42 per cent from A\$141m. Apart from RHM, the main contribution came from the investment in Elders IXL, held through a joint venture with investment group AEP.

The group's holding costs on these investments meant the burden of interest expenses more than doubled to A\$155m from A\$69.5m. As a result profit before interest and tax, which had improved to A\$292m, stood at A\$107m after interest, down on the 1987-87 level of A\$125.5m.

On top of this, the group suffered extraordinary losses of A\$60.6m, mainly comprising the group's equity share of an extraordinary write-down of assets by Wattle prior to its merger with Goodman Fielder.

Sales and other revenues, on the other hand, showed a strong 33.5 per cent rise to A\$2.11bn.

In a statement accompanying the figures, the group said trading profits were lower than expected because of the recession in New Zealand, the lack of competitiveness of the New Zealand meat industry and price discounting in the Australian margarine market.

But it forecast a generally improved performance in 1989 because of lower interest costs following divestments, a better New Zealand outlook and the abandonment of margarine discounting in Australia.

The group recommended a final dividend of six cents for a total of 11 cents, up from an equivalent 7.5 cents last year.

Malaysian stockbroker to get listing

By Wong Sulong in Kuala Lumpur

RASHID HUSSEIN Securities, the largest of the 60-odd Malaysian stockbroking firms, has received approval from the government capital issues committee for a listing on the Kuala Lumpur Stock Exchange.

It intends to do so early next year, and will be the first stockbroking firm in South-

east Asia to get an exchange listing. It intends to use the new capital raised to expand its overseas business.

Details of its listing proposals are still sketchy, but it is believed the firm will be issuing 25m new shares to the public to bring its paid-up capital to 60m ringgit (US\$22.5m).

The shares, with a par value

of one ringgit, are expected to be priced at 1.25 ringgit each.

The company is owned by Mr Abdul Rashid Hussein, with 65 per cent, Mr Chua Ma Yu, 30 per cent, and Mr Tajul Arifin Mohamed Tahir 5 per cent.

The firm has participated in underwriting of 25 public share issues during the past three years.

French chief to take over at Air Afrique

By Nicholas Woodworth in Abidjan

AIR AFRIQUE, the multinational carrier owned by 10 west, central and Franco-phone African states, is to be handed over to French management next month, according to officials of the airline in Abidjan.

Executives at the company's headquarters indicated that the director-generalship of the airline company will go to Mr Yves Roland-Billecart, currently head of the Caisse Centrale de Co-operation Economique, the French Government's international aid agency.

A change of management has been expected since last August, when heads of state at a regional summit meeting in Cotonou agreed to replace Congo's Mr Anzance Ickonga.

Air Afrique's present director-general, with an outsider less susceptible to regional political pressures.

Mr Ickonga's three-year stewardship of Air Afrique has coincided with a deterioration in financial management that has brought the company to the verge of collapse.

Severely undercapitalised, it has been hard hit by its member states' failure to honour both pledged capital increases and arrears for payments on tickets issued to government officials.

Turnover fell from CFA Fr143bn in 1985 to CFA Fr121bn (\$78m) in 1987. In 1985 Air Afrique made a profit of CFA Fr882m. In 1986 and 1987 the company posted operational deficits of CFA Fr2.6bn and CFA Fr7bn.

Overdrafts from creditors have until now allowed Air Afrique to sustain its accumulated deficit of CFA Fr19bn. Commercial banks, however, are now calling in their loans and Coface, the French export credit insurance agency, has warned suppliers against credit arrangements with the company.

Because of the deteriorating situation, regional heads of state agreed 18 months ago on a rescue plan for Air Afrique. It included cuts in salaries and personnel, the clearing of debts, and an increase in a capital base that is currently less than two-thirds of accumulated arrears.

Mr Roland-Billecart's expected appointment indicates a failure of that plan. The French administrator now promises to raise CFA Fr33bn to bail out the company. Likely sources of funds include French development aid and loans from the African Development Bank.

It is expected that in the near future regional heads of state and transport ministers will relinquish their policy-making and management posts in Air Afrique. No announcement as to an outside replacement team has yet been made, but negotiations have taken place with both Air France and UTA, the private French carrier that has a 20 per cent share in Air Afrique.

Notices

to the holders of the outstanding
FF 495,000,000
5% Equity Notes Due 2003

of
Yves Saint Laurent S.A.
and to the holders of the Warrants of

Yves Saint Laurent Parfums S.A.
(formerly Yves Saint Laurent International S.A.)

to subscribe ordinary shares of
Yves Saint Laurent S.A.

For the attention of Noteholders and of Warrantholders

Under the terms of the Trust Deed constituting the above Equity Notes of Yves Saint Laurent S.A. ("YSL"), and of the Deed Poll constituting the above Warrants of Yves Saint Laurent Parfums S.A. ("Parfums"), YSL is obliged to use its best endeavours to procure a listing for its Ordinary Shares on the second marché of the Paris Stock Exchange not later than 30th November, 1988 (under the Trust Deed) or 29th December, 1988 (under the Deed Poll). The Trust Deed also requires YSL to use its best endeavours to procure that a listing for its shares on the cote officielle of the Paris Stock Exchange will be granted not later than 31st October, 1992.

YSL is proposing to postpone the latest date for the listing of its shares on the second marché to 15th November, 1993, with the listing on the cote officielle to be granted as soon as practicable after the listing on the second marché.

YSL is offering Noteholders additional "put" options to require repayment of Notes in cash at 107% of their nominal amount on 2nd January, 1989 (such option being exercisable between 23rd November, 1988 and 8th December, 1988, both dates inclusive), or at 118% of their nominal amount on 2nd January, 1992 (such option being exercisable between 15th and 30th November, 1991, both dates inclusive). The option for repayment on 2nd January, 1992 will not be exercisable if YSL's shares are listed on the second marché of the Paris Stock Exchange by 15th November, 1991. YSL also proposes to surrender its existing option to repay in cash (rather than YSL shares) any Note deposited for repayment on or after 2nd January, 1991.

YSL is accordingly convening a Meeting of the Noteholders and Parfums are convening a Meeting of the Warrantholders by the Notices below to request their agreement by Extraordinary Resolutions to the proposals set out above.

Full details of the background to, and the reasons for, the proposed modifications and the Extraordinary Resolutions are contained in an Explanatory Letter prepared by YSL and Parfums dated 30th September, 1988, copies of which are available for collection by Noteholders and Warrantholders at the offices of the Paying and Warrant Agents specified below. The Explanatory Letter also contains (inter alia) the form of the Conditions of the Notes as to Redemption and Purchase as they will be if the Extraordinary Resolution of Noteholders is passed together with the financial statement of YSL for the year ended 31st December, 1987. YSL is hosting an investor information meeting in Paris on 14th October, 1988 at 2nd Floor, 7, Avenue Georges V, 75008 Paris at 11.00am.

For the attention of Noteholders

NOTICE OF MEETING

Notice is hereby given to the holders (the "Noteholders") of the outstanding FF 495,000,000 5% Equity Notes Due 2003 (the "Notes") of Yves Saint Laurent S.A. ("YSL") which are constituted by a Trust Deed (the "Trust Deed") dated 20th November, 1987 between YSL and The Law Debenture Trust Corporation s.c.a. (the "Trustee") that a Meeting of the Noteholders convened by YSL will be held at Grand Hotel, 25, Newgate Street, London EC1A 7LH on 24th October, 1988 at 12.00 noon (London time) for the purpose of considering and, if thought fit, passing the following Extraordinary Resolution:

Extraordinary Resolution

"That this Meeting of the holders of the outstanding FF 495,000,000 5% Equity Notes Due 2003 (the "Notes") of Yves Saint Laurent S.A. ("YSL") constituted by the Trust Deed dated 20th November, 1987 (the "Trust Deed") made between YSL and The Law Debenture Trust Corporation s.c.a. (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") hereby-

- (1) assents (subject to the conditions contained in the Explanatory Letter dated 30th September, 1988, a copy of which has been intitled for the purposes of identification by the Chairman of the Meeting) to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in Schedule 1 to the Trust Deed and to the provisions of the Trust Deed (a) by the deletion from Clause 7(b) of the Trust Deed and from Condition 4(b) of the Instrument of the words "15th November, 1989" and the substitution of "15th November, 1993" and (b) by the replacement of Condition 4 in the form set out in the draft Supplemental Trust Deed produced to this Meeting (a copy of which has been intitled for identification by the Chairman of the Meeting);
- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Noteholders and the holders of the coupons relating to the Notes against YSL, involved in or resulting from the modifications referred to in paragraph 1 of this Resolution; and
- (3) authorises and requests the Trustee to concur in the modifications referred to in paragraph 1 of this Resolution and, in order to give effect to them, forthwith to execute a Supplemental Trust Deed in the form of the said draft produced to this Meeting with such amendments (if any) to it as the Trustee shall require.

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above are available for inspection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposed modifications but has authorised it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

Voting and Quorum

1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Note(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Note(s) in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Note(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give voting instructions (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euro-clear System or any other person approved by it, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), for the purpose of obtaining voting certificates or giving voting instructions in respect of the Meeting. Notes so deposited or held will not be released until the first to occur of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2. The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than 75 per cent of the principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within 30 minutes from the time appointed for the Meeting a quorum is not present the Meeting shall stand adjourned to the same time and place on 14th November, 1988. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one third in principal amount of the Notes for the time being outstanding.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than two per cent in principal amount of the Notes then outstanding. On a show of hands every person who is present in person and produces a Note or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each FF 1,000 principal amount of Notes so produced or represented by the voting certificates so produced or in respect of which he is a proxy.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting, and upon all the holders of the Coupons appertaining to the Notes.

Yves Saint Laurent S.A.
30th September, 1988

For the attention of Warrantholders

NOTICE OF MEETING

Notice is hereby given to the holders of the Warrants (the "Warrants") to subscribe Ordinary Shares of Yves Saint Laurent S.A. ("YSL") issued by Yves Saint Laurent Parfums S.A. ("Parfums") and constituted by an instrument by way of deed poll dated 29th December, 1986 entered into by Parfums and YSL as amended by a supplemental instrument by way of deed poll dated 28th October, 1987 (together the "Instrument") hereby-

"That this Meeting of the holders of the Warrants (the "Warrants") to subscribe Ordinary Shares of Yves Saint Laurent S.A. ("YSL") issued by Yves Saint Laurent Parfums S.A. ("Parfums") and constituted by an instrument by way of deed poll dated 29th December, 1986 entered into by Parfums and YSL as amended by a supplemental instrument by way of deed poll dated 28th October, 1987 (together the "Instrument") hereby-

- (1) assents to the modification of Condition 4(b) of the Warrants as printed on the reverse of them and in Schedule 1 to the Instrument and Clause 3(A)(x) of the Instrument by the deletion of "29th December, 1989" and its replacement by "15th November, 1993";
- (2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Warrantholders against Parfums and YSL, involved in or resulting from the modifications referred to in paragraph 1 of this Resolution; and
- (3) approves the execution by Parfums and YSL of the Second Supplemental Instrument in the form of the draft produced to this Meeting and for the purposes of identification intitled by the Chairman of the Meeting.

The attention of Warrantholders is particularly drawn to the quorum required for the meeting and for an adjourned meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Instrument (including the Terms and Conditions of the Warrants) and the draft Second Supplemental Instrument referred to in the Extraordinary Resolution set out above are available for inspection by Warrantholders at the specified offices of the Warrant Agents set out below.

Voting and Quorum

1. A Warrantholder wishing to attend and vote at the Meeting in person must produce at the meeting either the Warrant(s), or a valid voting certificate or valid voting certificates issued by a Warrant Agent relating to the Warrant(s) in respect of which he wishes to vote.

A Warrantholder not wishing to attend and vote at the Meeting in person may either deliver his Warrant(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give voting instructions (on a voting instruction form available from the specified offices of the Warrant Agents set out below) instructing a Warrant Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Warrants may be deposited with any Warrant Agent or (to the satisfaction of such Warrant Agent) held to its order or under its control by CEDEL S.A. or the Operator of the Euro-clear System or any other person approved by it, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), for the purpose of obtaining voting certificates or giving voting instructions in respect of the Meeting. Warrants so deposited or held will not be released until the first to occur of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof.

2. The quorum required at the Meeting is two or more persons present holding Warrants or voting certificates or being proxies and holding or representing in the aggregate not less than 75 per cent of such Warrants for the time being remaining unexercised. If within half an hour from the time appointed for the Meeting a quorum is not present the Meeting shall stand adjourned to the same time and place on 14th November, 1988. At such adjourned Meeting the quorum shall be two or more persons present holding Warrants or voting certificates or being proxies and holding or representing in the aggregate over 50 per cent of such Warrants so held or represented.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Warrants or voting certificates or being proxies and holding or representing in the aggregate not less than two per cent of the Warrants then remaining unexercised. On a show of hands every person who is present and produces a Warrant or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each Warrant so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than 75 per cent of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Warrantholders, whether or not present at such Meeting.

Yves Saint Laurent Parfums S.A.
Yves Saint Laurent S.A.
30th September, 1988

Paying and Warrant Agents

Bankers Trust Company
Dashwood House
69 Old Broad Street
London EC2P 2EE

Banque Internationale de Luxembourg S.A.
2 Boulevard Royal
L-2953 Luxembourg

Credit Suisse
Paradiseplatz 8
CH-8001 Zurich

YSL is a société anonyme incorporated under the laws of the Republic of France on 15th September, 1961, expiring, unless extended, on 15th September, 2001. Registered office: 5, Avenue Marceau, 75116 Paris. Share capital 909,442,300 French Francs. RCS number: Paris 9 322 579 301. Parfums is a société anonyme incorporated under the laws of the Republic of France on 30th May, 1984 expiring, unless extended, on 30th May, 2003. Registered office: 28-34, Boulevard du Parc, 92521 Neuilly-sur-Seine. Share capital 1,300,982,800 French Francs. RCS number: Nanterre B 329 746 945.

This notice has been approved by an authorised person for the purposes of the Financial Services Act 1986 of the United Kingdom.

Westpac Banking Corporation

(Incorporated with limited liability in the State of New South Wales, Australia)

US\$500,000,000 Perpetual Capital Floating Rate Notes

In accordance with the terms and conditions of the Notes, notice is hereby given that for the Interest Period from 30th September 1988 to 30th March, 1989 the Notes will carry an Interest Rate of 8.9625 per cent per annum. The Interest Amount payable on the Interest Payment Date which will be 30th March, 1989 is US\$450.61 for each Note of US\$10,000 and US\$11,265.36 for each Note of US\$250,000.

Morgan Guaranty Trust Company of New York
Agent Bank

BANCO DI ROMA

US\$150,000,000

Floating Rate Depository Receipts due 1992

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 8.575 per cent for the period 30th September 1988 to 31st October 1988. Interest payable on 31st October 1988 will amount to US\$73.52 per US\$100,000 Deposit and US\$1,837.93 per US\$250,000 Deposit.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

U.S. \$100,000,000

National Bank of Detroit

Floating Rate Subordinated Capital Notes due 1996

Notice is hereby given that in respect of the Interest Period from September 30, 1988 to December 30, 1988 the Notes will carry an Interest Rate of 8.94% per annum. The coupon amount payable on December 30, 1988 will be U.S. \$246.02 per U.S. \$10,000 Note.

By: The Chase Manhattan Bank, N.A.
London Agent Bank
September 30, 1988

U.S. \$500,000,000

CITICORP

Subordinated Floating Rate Notes Due January 30, 1989

Notice is hereby given that the Rate of Interest has been fixed at 8.5125% and that the interest payable on the relevant Interest Payment Date October 31, 1988 against Coupon No. 33 in respect of US\$7,000,000 nominal of the Notes will be US\$73.20.

September 30, 1988
By: Citibank N.A. (CSSI Dept.), Agent Bank **CITIBANK**

CITICORP

U.S. \$500,000,000

Subordinated Floating Rate Notes

Due October 25, 2005

Notice is hereby given that the Rate of Interest has been fixed at 8.5375% and that the interest payable on the relevant Interest Payment Date October 31, 1988 against Coupon No. 36 in respect of US\$10,000 nominal of the Notes will be US\$73.52.

September 30, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

INTERNATIONAL COMPANIES AND FINANCE

Mystery buyers send Bouygues shares up 20%

By Paul Betts in Paris

A VEIL of mystery still hung over the Paris Bourse last night over the mystery buyers of substantial blocks of shares in the Bouygues construction and communications group.

Intense speculation and buying sent Bouygues' shares 20 per cent higher yesterday after a similar 20 per cent increase on Wednesday. A total of 283,000 shares were traded yesterday or the equivalent of 2.4 per cent of Bouygues' outstanding share capital. On Wednesday 6 per cent of the capital changed hands.

The Bouygues shares were again suspended several times yesterday and are expected to be the centre of further hectic activity today when trading resumes.

Brokers said there had been large orders in London and New York yesterday for the

shares in the world's leading construction group, which also controls the privatised French TF-1 television network.

Senior Bouygues officials were at a loss to explain the agitation over the share price and claimed that they did not know who was buying.

They also confirmed that Mr Francis Bouygues, the founder and chairman of the construction group, was in good health. Speculation that Mr Bouygues was ill - indeed there had even been a wild report last week that he had died - have further stimulated the market activity.

The market has been speculating for some time, over the eventual succession of Mr Bouygues.

However, Bouygues has repeatedly shot down rumours of a possible management buy-

out to resolve the succession problem. Although the Bouygues family owns about 12 per cent of the shares in the company, it can currently count on the support of about 40 per cent of shares and around 45 per cent of voting rights from core shareholders.

The company's biggest traditional shareholder is the Credit Lyonnais bank with 10 per cent. The nationalised bank indicated yesterday that it remained a stable and close shareholder of Bouygues and that it was watching closely the latest market activity.

Speculation on possible raiders has centred on Mr Robert Maxwell, who is already a partner of Bouygues in the TF-1 television network, and on the Compagnie Generale des Eaux, the private water distribution group.

Lafarge advances 16% at midway

By Our Paris Staff

LAFARGE COFFEE, the French cement group, yesterday reported a 16 per cent increase in first-half net profits on a 10 per cent rise in sales.

First-half net profits excluding minority interests rose to FF905m (\$142m) from FF779m in the first six months of last year. Sales rose to FF9.6bn in the first half from FF8.7bn in the same period last year. Operating profits rose nearly 30 per cent to FF1.6bn.

The group said its worldwide cement shipments had increased by 7 per cent during the first half. The group's other materials sectors advanced in the first half and its biochemical activities showed strong development.

Lafarge also firmly rejected accusations of dumping from a South Korean cement producer. The French group, which has been in the South Korean market for the last 10 years, said that it considered the country "unfounded." It claimed that it was a manufacturer designed to raise protectionist barriers in order to create a captive market.

Union Corporation, South Korea's only manufacturer of alumina cement, filed an anti-dumping suit with the Seoul Government this month against the French group's Lafarge-Fondu International subsidiary.

The Korean company accused Lafarge of selling cement at heavy discounts on the Korean market.

Flat results at Credit Lyonnais

By Our Paris Staff

CREDIT LYONNAIS, the large French nationalised bank, yesterday reported flat first-half profits of FF1.2bn (\$188m) compared with the first half of last year.

Mr Bernard Tholon, managing director, said Credit Lyonnais was expecting to report profits for the whole year similar to the FF2.2bn of 1987.

The bank made FF3bn in new net provisions during the first half, compared with provisions of FF3.4bn in the first half of last year. The new provisions included an extra FF2.6bn in additional sovereign-state debt provisions, taking the coverage of these risks to 46 per cent from 36.4 per cent at the end of the first half last year.

The bank made FF2.9bn in capital gains from its share and property portfolio compared with FF700m in the same period last year.

Credit Lyonnais said the latest results reflected changes in the bank's consolidation following its acquisitions in the

Netherlands and the UK.

Interest and commission revenue rose by 8.1 per cent in the first half to FF15.88bn. The bank said the volume of business in France had expanded, especially in the consumer credit field. But like other French commercial banks there had been an erosion in margins. The absence of privatisations and the lower level of activity on the stock market had led to a fall in commission income from equity transactions.

Greece postpones Larco sale

By Andriana Ierodiakonou in Athens

THIS WEEK'S sale by auction of Larco, the Greek ferro-nickel producer for which the Greek Government is asking at least Dr26bn (\$171m), was postponed. It had been due to take place on Wednesday.

Larco, which passed to the state under a special rescue programme for financially-ailing industries launched by the Greek socialist Government in 1983, is considered of strategic importance to the national economy, a fact which rendered its privatisation unlikely.

It was thought likeliest that the company, whose debts to Greek and foreign banks in 1987 stood at an estimated Dr20bn plus a further estimated Dr20bn owed to the state Public Power Corporation, would pass into the hands of its domestic creditor banks.

However, the possibility of a private-sector management contract is not ruled out. Larco's performance has reportedly improved dramatically since the 1987 rise in world nickel prices, with the company expected to show a profit this year.

Production costs have been trimmed through an approximate halving of the original 2,200 strong workforce. Analysts suggested that Larco's conversion into a ferro-chromium producer would offer the best long-term survival option, requiring minimal investment.

AEG raises earnings by 10%

By Haig Simonian in Frankfurt

GROUP SALES at AEG, the West German electrical and electronics concern, rose by 10 per cent to DM7.7bn (\$4.1bn) in the first eight months of 1988 and the group forecasts that sales for the year will exceed DM13bn, compared with DM11.7bn in 1987.

Daimler Benz, which earlier this year bid for the minority stake in AEG that it did not already own, has now raised its stake to more than 80 per cent against some 68 per cent at the end of June, according to Mr Heinz Dürr, AEG's chief executive.

He gave no profits' figures, in line with previous practice at AEG, which was nearly bankrupt in the early 1980s. However, he said that profitability had improved this year and would be adequate to pay to AEG shareholders who do not accept Daimler's offer a payment equivalent to 20 per cent of Daimler's dividend, as had been guaranteed in Daimler's takeover proposal.

Mr Dürr said that AEG's order levels in the first eight months of the year had risen by 9 per cent to DM8.5bn, with sales at the automation

systems, domestic appliances and plant technology divisions and at AEG-Eabel increasing above average.

Percentage sales growth at many of AEG's foreign subsidiaries had been in double figures. He added that research and development spending this year was set to rise to DM1.2bn, against DM900m last year, with joint development projects with Daimler-Benz playing an important role. Investment in fixed assets was set to rise by about a third to about DM900m.

Outokumpu seeks listing for employees' shares

By Olli Virtanen in Helsinki

OUTOKUMPU, the Finnish base metals group, will seek a listing on the Helsinki Stock Exchange, becoming the country's second state-owned company to enter the stock market after Valmet, the metal and engineering group.

Earlier this week, Finland's economic policy committee said that Outokumpu could launch a share issue for private investors, providing that the state maintained control.

However, the company has decided not to launch an issue of new shares. The listing will be based on the 18.9m series A shares that Outokumpu offered to employees earlier this year in exchange for cutting the generous, and costly, pension benefits.


Swiss Re ahead despite adverse currency move

By Our Financial Staff

SWISS Reinsurance, the world's second-largest reinsurance group, lifted 1987 group consolidated net profit by 19.3 per cent to SF201m (\$126m) from SF179m in 1986. This was despite adverse currency factors, which depressed premiums expressed in Swiss francs.

Gross premiums rose 7 per cent in local currencies, with reinsurance premiums up 4.2 per cent and insurance premiums up 11.1 per cent. Expressed in Swiss francs, gross premiums fell 2.2 per cent to SF10.43bn.

Net premiums rose 1.3 per cent to SF9.84bn although the increase would have been 10.4 per cent but for currency factors. Financial income rose to SF1.13bn from SF1.09bn in 1986.



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September 30, 1988, London
By Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

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Repayment of principal will be made against presentation of the Notes with all unremitted coupons attached, at the offices of any one of the Paying Agents mentioned hereon.

Coupon No. 7 due 31st October, 1988 should be presented for payment in the usual manner on or after 31st October, 1988.


Bankers Trust Company, London
30th September, 1988
Agent Bank

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September 30, 1988, London
By Citibank, N.A. (CSSI Dept.), Agent Bank

Wells Fargo & Company

U.S. \$100,000,000

Subordinated Floating Rate Capital Notes due September 1997

In accordance with the provisions of the Notes, notice is hereby given that for the Interest period 30th September, 1988 to 30th December, 1988 the Notes will carry an Interest Rate of 8 1/2% per annum.

Interest payable on the relevant interest payment date 30th December, 1988 will amount to US\$218.02 per US\$10,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York, London

Issue of up to U.S. \$360,000,000

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Subordinated Guaranteed Floating Rate Notes due 1995

Guaranteed as to Principal and Interest by **Elders DL Limited**

For the initial interest period September 29th, 1988 to March 29th, 1989 the Notes will carry an interest rate of 9.4875% per annum. The interest payable on the relevant interest payment date, March 29th, 1989 will be U.S. \$4,770.10 per U.S. \$100,000 Nominal Amount.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
September 30th, 1988

Paine Webber Group Inc.
U.S. \$200,000,000

Subordinated Floating Rate Notes Due 1993

For the six months 30th September, 1988 to 30th March, 1989 the Notes will carry an interest rate of 9 1/4 per cent per annum and interest payable on the relevant interest payment date 30th March, 1989 will amount to U.S. \$461.93 per U.S. \$10,000 Note and U.S. \$4,619.27 per U.S. \$100,000 Note.

By Morgan Guaranty Trust Company of New York, London Agent Bank

U.S. \$200,000,000




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(Incorporated with limited liability in the Republic of Italy)

London Branch

Floating Rate Depository Receipts due 1993

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from September 30, 1988 to March 31, 1989 the Notes will carry an Interest Rate of 9 1/4% per annum. The interest payable on the relevant interest payment date, March 31, 1989 will be U.S. \$442.36 for Notes in denominations of U.S. \$10,000 and U.S. \$4,423.61 for Notes in denominations of U.S. \$100,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
September 30, 1988




American Express Bank Ltd.
U.S. \$100,000,000

Floating Rate Subordinated Capital Notes Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 8.625% and that the interest payable in respect of U.S. \$10,000 principal amount of Notes for the period September 30, 1988 to December 30, 1988 will be US\$218.02.

September 30, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

U.S. \$60,000,000




MANUFACTURERS NATIONAL CORPORATION

Manufacturing National Corporation
(Incorporated in the State Delaware)

Subordinated Floating Rate Notes due September 1988
Issue Price 100%

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from September 30, 1988 to March 31, 1989 the Notes will carry an Interest Rate of 9 1/4% per annum. The interest payable on the relevant interest payment date, March 31, 1989 will be U.S. \$458.16 for Notes in denominations of U.S. \$10,000 and U.S. \$4,581.60 for Notes in denominations of U.S. \$250,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank
September 30, 1988



REPUBLIC OF FINLAND
U.S. \$100,000,000 Floating Rate Notes Due 1990

Notice is hereby given that the interest payable on the Interest Payment Date, October 31, 1988, for the period April 29, 1988 to October 31, 1988 against Coupon No. 7 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$397.57.

September 30, 1988, London
By Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

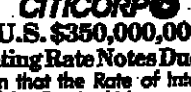
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KLEINWORT BENSON LONSDALE plc
(which was substituted for Kleinwort Benson Finance B.V. as the principal debtor on 15th March 1985)

For the six months 30th September 1988 to 31st March 1989, the Notes will carry a Rate of Interest of 9 per cent per annum with a Coupon Amount of US \$485.00

CHEMICAL BANK
Agent Bank



CITICORP
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Subordinated Floating Rate Notes Due November 27, 2035

Notice is hereby given that the Rate of Interest has been fixed at 8.5375% in respect of the Original Notes and 8.625% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date October 31, 1988 against Coupon No. 35 in respect of US\$10,000 nominal of the Notes will be US\$73.52 in respect of the Original Notes and US\$74.27 in respect of the Enhancement Notes.

September 30, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

INTERNATIONAL COMPANIES AND FINANCE

Granges clashes with Noranda over share deal

By Robert Gibbens in Montreal

A HEATED dispute has developed between Vancouver-based Granges Exploration and the giant Noranda resource group over the development of a gold property in northern Ontario.

On September 16, Noranda's 50 per cent-owned affiliate, Hemlo Gold, operator of one of the three new gold mines in the Hemlo area of northern Ontario, bought almost 10 per cent of Granges on the open market for about C\$2m (US\$1.4m).

Only this week did the identity of the buyer of the Granges stock become known, through a routine filing with the Securities & Exchange Commission in Washington.

But Granges, which had been seeking a potential partner to develop its jointly owned northern Ontario gold property, says Hemlo Gold had agreed not to buy any Granges shares before June 22, 1988, without its written consent.

Granges says Hemlo Gold did not ask for consent and therefore contravened the terms of the agreement and must sell the shares to arm-length purchasers within two

days. The alternative would be legal action.

Granges said it had hired investment advisers to approach selected mining companies for a joint venture arrangement to develop its Mitsubishi Lake property in northern Ontario, held with MacMillan Energy Corporation.

After the shareholder agreement was signed, Granges says, it provided detailed information to Hemlo on the Mitsubishi property.

It accuses Hemlo of trying to obtain an interest in the property for a price lower than its real value and of trying to prevent Granges selecting another company as a partner.

Noranda said the shareholder agreement with Granges was signed by a junior executive in its Vancouver office and it was making further inquiries. Meanwhile, it said further talks were under way with Granges.

Granges is an exploration company which began producing gold last year and will have output of 75,000 oz this year, mainly from two properties in Nevada.

Electrolux buys 60% of Spanish supplier

By Sara Webb in Stockholm

ELECTROLUX of Sweden, the world's leading white goods manufacturer, said yesterday it had succeeded in acquiring 60 per cent of the shares in Unidad Hermetica, Spain's leading maker of compressors for the white goods sector.

The price paid was Ptas 2.5bn (\$26m). Electrolux had made a Ptas 5.5bn bid for all of the Spanish company a month ago.

The Swedish company has said the takeover would fit in with its strategy of building up its compressor business as there is currently a shortage of compressors on the market.

Electrolux has about 30 per cent of the white goods market in Spain, following its recent agreement to take over Corbero and Domar, two white goods companies which make mainly cookers and washing machines and which have combined annual sales of around SKr1bn.

Unidad Hermetica has annual sales of around Ptas 1.5bn and makes a "small profit," according to Electrolux. It employs 1,700 staff and has two factories in Catalonia, North East Spain, where Corbero and Domar are based.

Unidad already supplies Electrolux with compressors, mainly for refrigerators, but will continue to supply other manufacturers in Europe as well.

Pocklington tries to score on the rebound

Tamsin Carlisle profiles the acquisitive Alberta businessman who has incurred the wrath of Canada's ice-hockey fans

If a poll were taken today to find the most unpopular man in Canada, Mr Peter "Puck" Pocklington would stand every chance of winning it.

A month after the eccentric Alberta businessman traded Mr Wayne Gretzky, the ice-hockey superstar, to Los Angeles, millions of outraged and bewildered Canadian sports fans are still baffled by his motives.

Mr Gretzky, known as "The Great One" and acknowledged as the finest player of Canada's most keenly-followed game, was regarded by many Canadians as a national treasure. Did Mr Pocklington, a former used car salesman and political hopeful, so badly need the C\$15m (US\$12.5m) he procured from the deal that he would forever sacrifice the nation's goodwill?

Mr Pocklington, whose businesses haul in revenues of roughly C\$2bn a year, is not currently inclined to answer this question and is keeping a low profile. But as the armchair athletes' howls of protest fade to a disgruntled murmur, a few clear threads are beginning to emerge.

At the ripe old age of 47, Mr Pocklington has apparently concluded that politics is not for him. With a general election looming, he has made no move to be nominated Conservative candidate in any of Alberta's 26 constituencies. Indeed, if he did run in current circumstances, his presence on

the Tory ticket could well prove a distinct liability.

Not that his earlier forays into the political arena were conspicuously successful. In 1983, for example, he entered the Conservative party's leadership race and lavished approximately C\$1m on his campaign only to suffer a first ballot defeat.

Instead, Mr Pocklington may now be gearing up for another round of acquisitions and plant expansions to add to his diverse North American business empire.

The conglomerate, controlled by Pocklington Financial, a private holding company, comprises property and oil companies, three sports teams (including the all-conquering Edmonton Oilers), a furniture manufacturer and eight food processing concerns. All told, the 14 businesses employ some 5,000 people. All but one of these companies - 75 per cent controlled Canbra Foods, is 100 per cent owned by Mr Pocklington.

Details of the group's financial records are a jealously guarded secret. However, the jewel in the Pocklington crown is undoubtedly Edmonton-based Gainers, whose annual sales of some C\$55m make it the third largest meat packing company in Canada.

There are several indications that Mr Pocklington aims to continue expanding. In August, for example, he obtained a

C\$5.9m mortgage loan to open a meat packing plant in Regina. In addition, Alberta's crown-owned Treasury Branches last year approved a C\$100m line of credit for the group's Palm Dairies operation in Calgary.

In March, the same body extended a C\$12m loan and a further C\$55m in loan guarantees to Gainers. According to Mr Doug Ford, a Pocklington spokesman, the group is currently debating whether to upgrade a 70-year-old meat processing plant in Edmonton or to build a completely new facility.

Mr Pocklington appears to be in acquisitive mood on a personal level as well, having recently acquired a C\$300,000 lakefront cabin in the Pacific coast province of British Columbia.

In short, the mercurial businessman, who championed flat-rate income tax and proposed paying off the national debt by printing C\$3,000m of new money, seems to have bounced back from the trials and tribulations of four years ago after his businesses suffered severe difficulties.

Indeed, Mr Pocklington has developed a habit of bouncing back over the years. Many attribute this resilience to his ability to stay on good terms with powerful political allies such as Prime Minister Brian Mulroney and Alberta premier Don Getty, both of whom Mr Pocklington counts as personal friends.

Hollis Industries sets up multiphase pump venture

By Richard Donkin in London

HOLLIS INDUSTRIES, the UK engineering services company which broke away from Mr Robert Maxwell's Pergamon Group in a management buy-out in June, has formed a company to manufacture and market multiphase pumps for offshore oil and gas platforms.

Multiphase Systems, the new subsidiary to be based on the Avonside Industrial Estate in Bristol, will develop and manufacture the multiphase pump system designed by another Hollis company, Stothert and Pitt, the Bath-based pump company and leader in multiphase technology.

Multiphase pumps are expected to play a leading role in the new generation of oil production techniques now under development and could significantly reduce the need for manned offshore platforms. Their capability, using a

twin-screw pumping system, of pumping both pure oil and oil and gas mixtures from the wellhead to a central treatment station, dispensing with the need for gas and liquid separation plant, could help to revolutionise oil production, Mr Michael Bridge, managing director of Multiphase Systems, said yesterday.

The system should allow more economic exploitation of oilfields by reaching reserves that have had to be abandoned in the past, he said.

The multiphase system, developed in collaboration with Shell, Mobil and BP and with a £230,000 (£390,000) grant from the Department of Trade and Industry, is already in production. Multiphase pumps, costing about £500,000 each, are to be installed at a Shell site in Sarawak and on a BP platform in the North Sea.

Delhaize sales in Belgium advance 5.6%

By Tim Dickson in Brussels

DELHAIZE, the Belgian supermarket group which has a major presence in the US, saw sales in the first eight months in Belgium increase 5.6 per cent to BFr42.9bn (\$1.1bn).

Food Lion, the main US operation, reported a 25.8 per cent increase in sales to \$2.5bn in the first 36 weeks of 1988 while net earnings were 35.7 per cent better at \$78.2m.

Sales of Pingo Doce in Portugal jumped from Esc4.5bn to Esc14.4bn (\$96m) in the first eight months of 1988.

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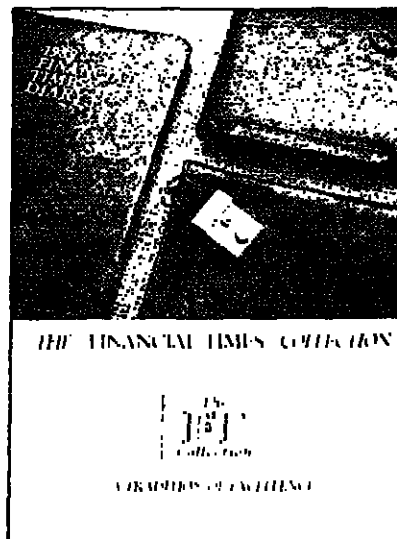
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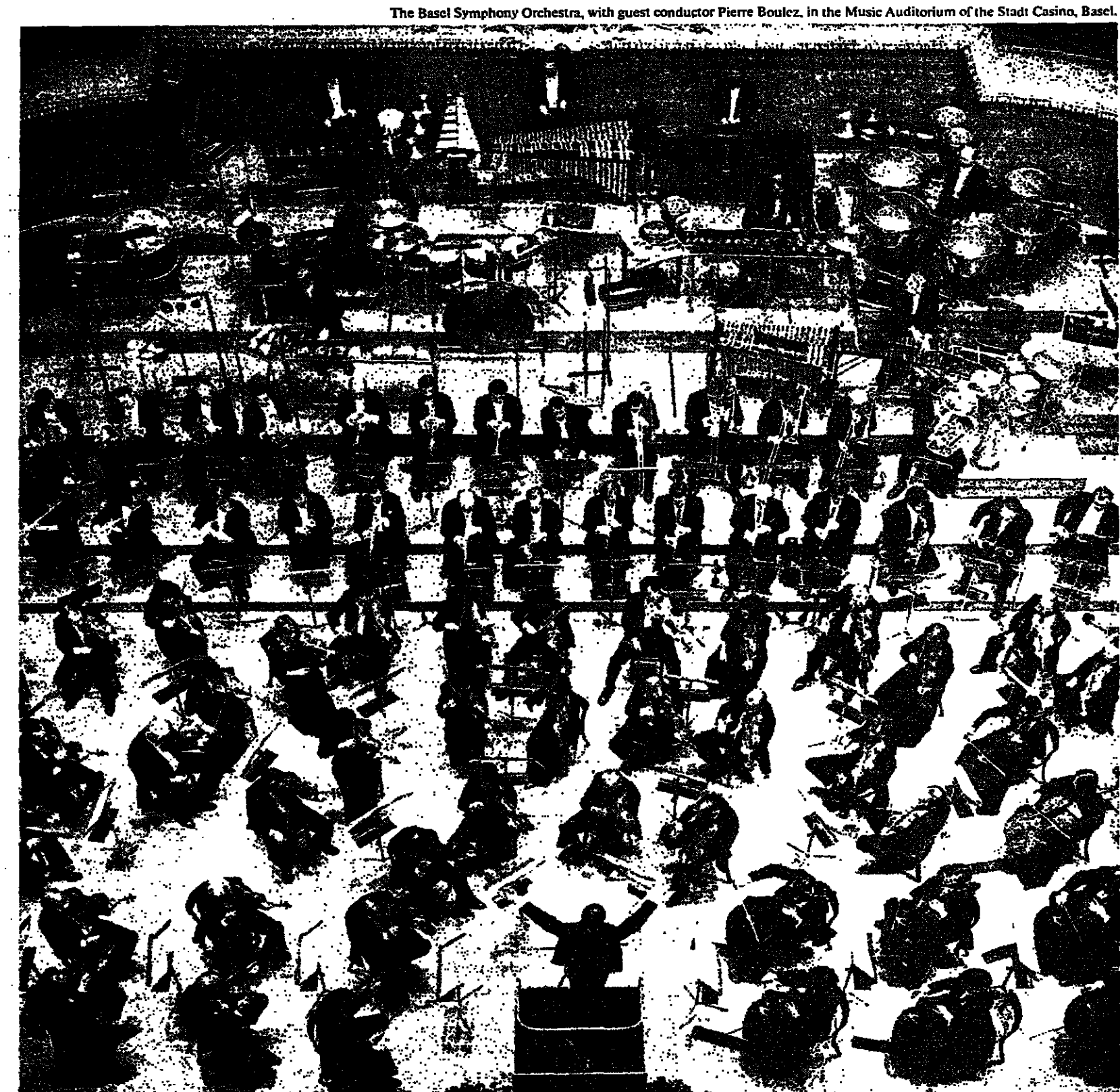
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INTERNATIONAL CAPITAL MARKETS

Gilt prices take heart from buoyant sterling

By Our Euromarkets Staff in London and Janet Bush in New York

STERLING's surge back above DM3.17 at one stage yesterday sent gilt prices up 1/4 to 1/2 points, but the mood among retail investors is not yet jubilant.

Investors are also buoyant over the prospect of a rise in the prime rate to 11 1/2 per cent, but the mood among retail investors is not yet jubilant.

WEST GERMAN government bonds closed 10 to 20 pence higher in very quiet trading, with all eyes focused on London for the start of the new Bund futures contract on Liffe.

GOVERNMENT BONDS

US TREASURY bonds received a jolt early in the New York session yesterday when weekly figures for unemployment claims suggested the US jobless rate might have fallen in September.

While there was no reaction in prices, there is intense interest in the success of the new futures contract. In particular, dealers are wondering whether non-traditional Bund investors will be buyers of futures, a development that could deepen the underlying cash market.

Monthly employment data have become crucial for the bond market because they have figured large in successive moves by the US Federal Reserve to tighten monetary policy.

IN THE Australian government bond market, long-term prices recovered marginally, with the benchmark 2 1/2 per cent bond shedding three basis points to 12.96 per cent.

Attention is now focused on Saturday's state-wide election in Victoria, where the opposition Liberal Party is hoping for a victory.

The market had expected a 14 per cent rate. Attention is now focused on Saturday's state-wide election in Victoria, where the opposition Liberal Party is hoping for a victory.

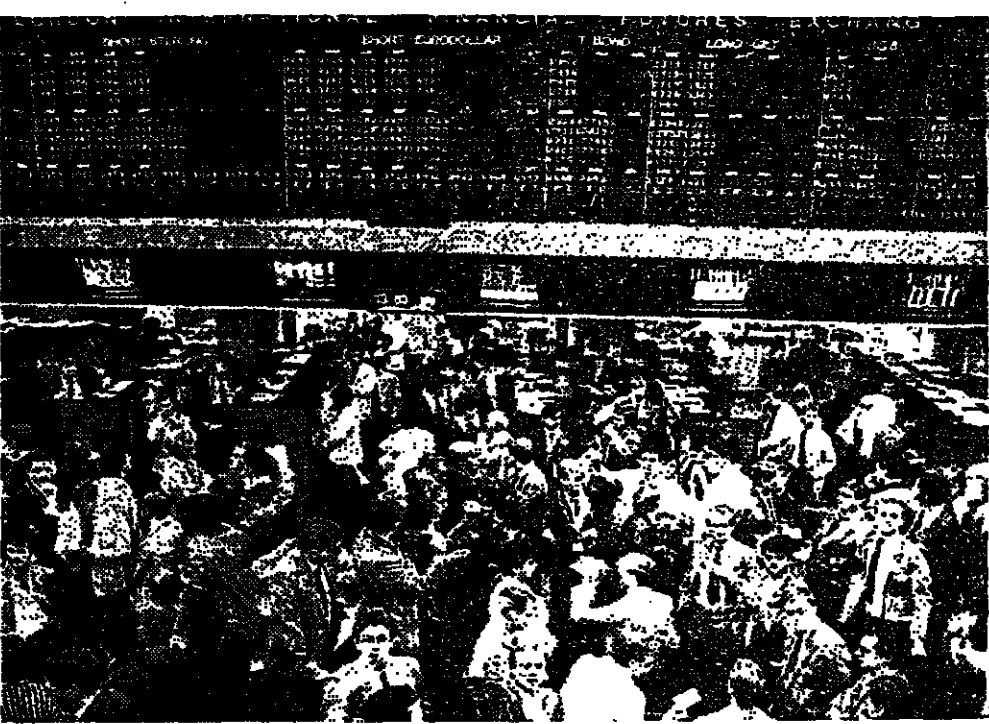
Table with columns: UK Gilts, US Treasury, Japan, Germany, France, Canada, Netherlands, Australia. Includes price, change, yield, week, month.

Reserve requirements discourage building societies from purchases longer than five to seven years. Long bonds are also supported by the absence of new stock, a phenomenon likely to stay with the market for some time given the healthy condition of government finances.

Bund contract off to a champagne start

Dominique Jackson on an enthusiastic first day for Liffe's latest instrument

Champagne corks were popping yesterday at the official launch of the new German Government Bond (Bund) futures contract when Mr Norman Lamont, Financial Secretary to the Treasury, rang the bell for trading to commence on the London International Financial Futures Exchange.



Designated firms are to keep a broker in the Bund pit for at least three months

The new contract is the first D-Mark denominated futures contract on fixed income bond available anywhere and fulfils a need by providing the first opportunity for investors in the German bond market to hedge their substantial Bund holdings against currency and interest rate volatility.

almost 3,000 lots traded within the first 90 minutes. This was the level cited by Mr David Burton, Liffe chairman, as an acceptable total daily volume for the contract. Estimated volume yesterday was over 8,000.

It is important to discover what proportion of business in the contract is purely inter-professional and how much is from end-users. Mr Bolton said: "Interest has been high and we seem to have been seeing a high level of genuine business and have detected very few, if any, cross transactions purely to boost volume."

Unfortunatly, the German futures exchange, a computer-based system known as the Deutscher Terminbörse (DTB), has been held up by outdated German gambling laws and is not expected to be in action until December 1989.

While it is always difficult to gauge just how well any newly developed derivatives product is going to perform, so far the excitement about the new Bund contract seems to be more than warranted.

The German bond market is the now the fourth largest in the world with an estimated \$150bn worth of paper outstanding. Until now it had been the sole high international fixed-income market without an associated futures market.

According to Mr Nick Bolton, of Union Discount Futures, one of the designated Bund contract brokers, volume yesterday appeared promising, although it will not be possible to measure the success of the contract for some time.

By that time, Liffe hopes its Bund contract will have successfully reached a high level of depth and liquidity. Active start, Page 48

Schneider buys into bank

SCHNEIDER, the French heavy engineering group, has acquired 51 per cent of C. Morange et Cie, one of 24 specialist French money market banks.

LBO fund from Manny Hanny

By David Lascelles MANUFACTURERS Hanover Trust of New York has set up a \$1bn leveraged buy-out bridge fund. It will provide bridge financing for non-hostile leveraged transactions requiring at least \$500m until permanent funding is arranged.

Fed admits Yamaichi

YAMAICHI International yesterday became the seventh Japanese firm to be admitted by the New York Federal Reserve Board as a primary dealer in the US Government bond market, along with County NatWest, Deborah Hargreaves writes from New York.

authorised to deal directly with the Fed when it buys and sells government securities is a sign that tensions are easing over access by US firms to Japanese financial markets. In response to US pressure, Japan announced plans earlier this month to open further its primary market in Government bonds to foreign underwriters.

LONDON MARKET STATISTICS

Table showing RISES AND FALLS YESTERDAY with columns for British Funds, Corporations, Domestic and Foreign Bonds, etc.

LONDON RECENT ISSUES

Table listing various financial issues with columns for Issue, Amount, Date, etc.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for Issue, Amount, Date, etc.

RIGHTS OFFERS

Table listing rights offers with columns for Issue, Amount, Date, etc.

TRADITIONAL OPTIONS

Table listing traditional options with columns for Issue, Amount, Date, etc.

LONDON TRADED OPTIONS

Large table showing various options with columns for Option, Calls, Puts, etc.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table showing FT-ACTUARIES SHARE INDICES with columns for Index, Change, etc.

FIXED INTEREST

Table showing fixed interest rates with columns for Rate, etc.

UK COMPANY NEWS

United Newspapers advances to £53.5m

By Clay Harris

UNITED NEWSPAPERS, publisher with interests ranging from the Daily Express and Punch to the Eitel financial news service, yesterday reported a 10.7 per cent rise to £53.5m in pre-tax profits for the six months to June 30.

However, earnings per share fell by nearly 8 per cent to 18.6p (20.2p), and the shares closed 8p lower at 390p.

In spite of the slippage in earnings, largely reflecting the issue of shares to buy Eitel in the middle of last year, the interim dividend is increased to 7.5p (7p).

Of United's UK national newspapers, circulation of the Daily Express was marginally up but those of the Star and Sunday Express were down.

The advertising picture was mixed, with flat revenues from national newspapers, but increases from regional titles and business magazines.

Although still profitable, Eitel's sports service to betting shops suffered from competition with Satellite Services, the live telecast company which is partly owned by the big four bookmakers.

United said financial advertising and the use of information services, particularly in the US, was still showing the effects of the October crash.

On turnover of £372.8m (£336.5m), trading profits rose to £54.7m (£49.5m). There were increased contributions from related companies and investment income, and net interest payments fell to £2.77m (£2.83m).

The estimated tax charge was £18.2m (£17.2m), and there were extraordinary credits of £957,000 (£1.83m).

See Lex

Saatchi share offer
Saatchi and Saatchi, advertising and business services group, is to issue 1.56m shares in Tokyo at 338.3p. The offering opened yesterday and will close on October 3. In London, Saatchi shares added 4p to 344p.

First-half advance of 56% boosts TV-am to £7.82m

By Fiona Thompson

TV-am, the breakfast television station, yesterday reported a 56 per cent advance in pre-tax profits from £5.02m to £7.82m for the six months to July 31 1988.

Despite the difficulties of the past year, Mr Ian Irvine, chairman, said he was confident that TV-am would continue to develop and "be in the forefront of British television in the future."

TV-am in March dismissed 232 ACTT technicians for refusing to agree changes in working practices. The technicians had been locked out since the previous November, with management doing their jobs. The Independent Broadcasting Authority this August summoned TV-am's management to a specially convened meeting to discuss areas of concern and Mr Bruce Gynge, TV-am's managing director, gave assurances on action the station would take.

The IBA followed this up with a letter saying it wished to see proposals for substantial improvement in four areas -

regional coverage, weekend news bulletins, children's programmes and programme presentation.

Mr Gynge provided these detailed proposals, the IBA said the suggestions were helpful and it would judge their effectiveness by what appeared on screen. The IBA confirmed yesterday that it would be reviewing TV-am's performance again in November, senior staff would be monitoring output over a two to three week period and submitting written reports.

Mr Irvine stressed yesterday that the IBA had never said that TV-am was at risk of losing its franchise. The IBA confirmed this.

Turnover rose from £24.07m to £28.50m. The Exchange levy was £4.76m (£3.15m). Investment income contributed £866,000 (£621,000) and the tax charge was £2.84m (£178,000).

Earnings per share were 7.6p (7.4p) and an interim dividend of 1.5p (1.0p) was declared.

COMMENT

The City was pleased with these results and marked the shares up 7p to 153p last night. With virtually all turnover coming from advertising revenue, TV-am's 20 per cent increase is a sight better than the industry's 15.7 per cent rise, and boosts its share of total network ad revenue from 3.53 per cent to 3.95 per cent. Having been shown the yellow card from an IBA keen to flex its muscles, TV-am is clearly doing what was needed and should not feel unduly worried about November. The savings on technicians' salaries has provided the increased funds for programmes and regional expansion, but must also have given a boost to the cash pile which stood at £22m halfway. The end of the tax holiday has depressed earnings growth this time but should sort itself out by the year end. Analysts are looking for full year pre-tax profits of £12.5m, putting the shares on a prospective p/e of 8.5, relatively cheap on its potential.

Brent Walker poised for LLG bid after share raid

By Paul Cheeseright, Property Correspondent

BRENT WALKER, the expanding leisure and property group, yesterday was poised to make a full takeover bid for Local London Group after a further swoop into the market for more shares.

James Capel, stockbroker, during the afternoon bought for Brent Walker 2.07m Local London shares, lifting the Brent Walker stake from 14.9 per cent to 24.99 per cent.

No comment was immediately available from Local London, a property company specialising in the provision of serviced offices, but in recent days Mr George Walker, Brent chairman, has had two meetings with Local London.

Brent Walker is presenting its acquisition of the stake as a strategic investment, but the

stock market believes a full scale bid is likely to follow the group's two swoops on the market. The latest buying has been done at a price of 550p for each Local London share. This is the same price at which Brent Walker was buying a week ago and compares with a Wednesday closing price of 525p. Yesterday evening Local London shares settled at 500p.

Local London has a stake of 25.3 per cent in Marina Development Group, the largest marina operator in Britain and the point at which Brent Walker and Local London interests meet. In response to Brent Walker's foray in the market, the Marina Development shares rose 15p to 420p.

Brent Walker shares closed 4p higher at 356p.

Acquisitions lift Whittington

Acquisitions made in 1987 enabled Whittington, metal fabricator, to boost pre-tax profits to £269,000 (£81,000) in

the first half of 1988. Turnover more than doubled to £5.99m. Earnings were 1.2p (0.3p), the interim dividend 0.2p (nil).

FAI Insurances gains 14.9% of Goode Durant

By Ray Bashford

FAI Insurances, the insurance and investment group controlled by Australian entrepreneur Mr Larry Adler, has acquired a 14.9 per cent holding in Goode Durant, industrial and financial management company.

Control of the stake is understood to have been transferred as part of the fall out from a deal last month between Mr Adler and Ariadne Australia, which was hit heavily by the October stock market crash.

Through that deal, Mr Bruce Judge regained a 19.9 per cent holding in Ariadne from Mr Adler who had stepped in to buy control of the company in the wake of the crash.

The stake in Goode Durant is part of a 12 per cent interest which remained after Mr Judge reduced his holding from 41.5 per cent in September last year.

The balance of the 17.8 per cent holding has been placed with unknown buyers.

Quadrex sues two brokers

By Clay Harris

THE YEAR-LONG uncertainty over the future of M.W. Marshall, the world's second largest money broker, and William Street Holdings, a US government securities broker, took a new turn yesterday when Quadrex Holdings said it had filed suit in London against the two companies and their top executives.

Quadrex, US parent company of a London securities firm headed by Mr Gary Klesch, claimed the defendants had been "instrumental in obstructing or frustrating" its acquisition of the two companies from British & Commonwealth Holdings.

Higher orders from European car makers added in pre-tax profit of £3.6m (£1.5m) at the automotive engineering division, while an increase in returns from related companies to £3.2m (£1.8m) was largely due to a 50 per cent stake in a housing develop-

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Mr Michael Waller, chief executive, said the scrip issue had been made because he believed it would be a "reward to loyal, small shareholders." They will also receive a final dividend of 3.7p (3.6p), lifting the total to 11.75p (8.4p).

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Adwest 30% ahead despite loss in general engineering

By Ray Bashford

ADWEST GROUP, diversified engineering and property group, boosted pre-tax profits by 30 per cent to £13.5m during the year to June 30.

Directors also announced a one-for-one scrip issue and a sharp increase in the final dividend. Earnings per share advanced 31 per cent to 29p.

Adwest relied heavily on improved results at its automotive engineering and industrial and commercial property development operations and these easily offset a slide into the red at the general engineering division.

Higher orders from European car makers added in pre-tax profit of £3.6m (£1.5m) at the automotive engineering division, while an increase in returns from related companies to £3.2m (£1.8m) was largely due to a 50 per cent stake in a housing develop-

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port of small shareholders (with 25,000 shares or less), who hold 20 per cent of the capital. As the latest results indicate, the group's fortunes are linked strongly to the house market, an area of particular interest at present. However, higher sales to West German car makers and an improved order book for the defence division would help to counter any downturn in the housing and other property operations. The board is intensifying efforts to improve the performance of general engineering but there is a long way to go before it makes anything approaching a satisfactory return and a more aggressive approach from management could be called for. Assuming pre-tax profits of £13.5m, Adwest's prospective p/e of 10.3 is fair but holds a strong speculative element.

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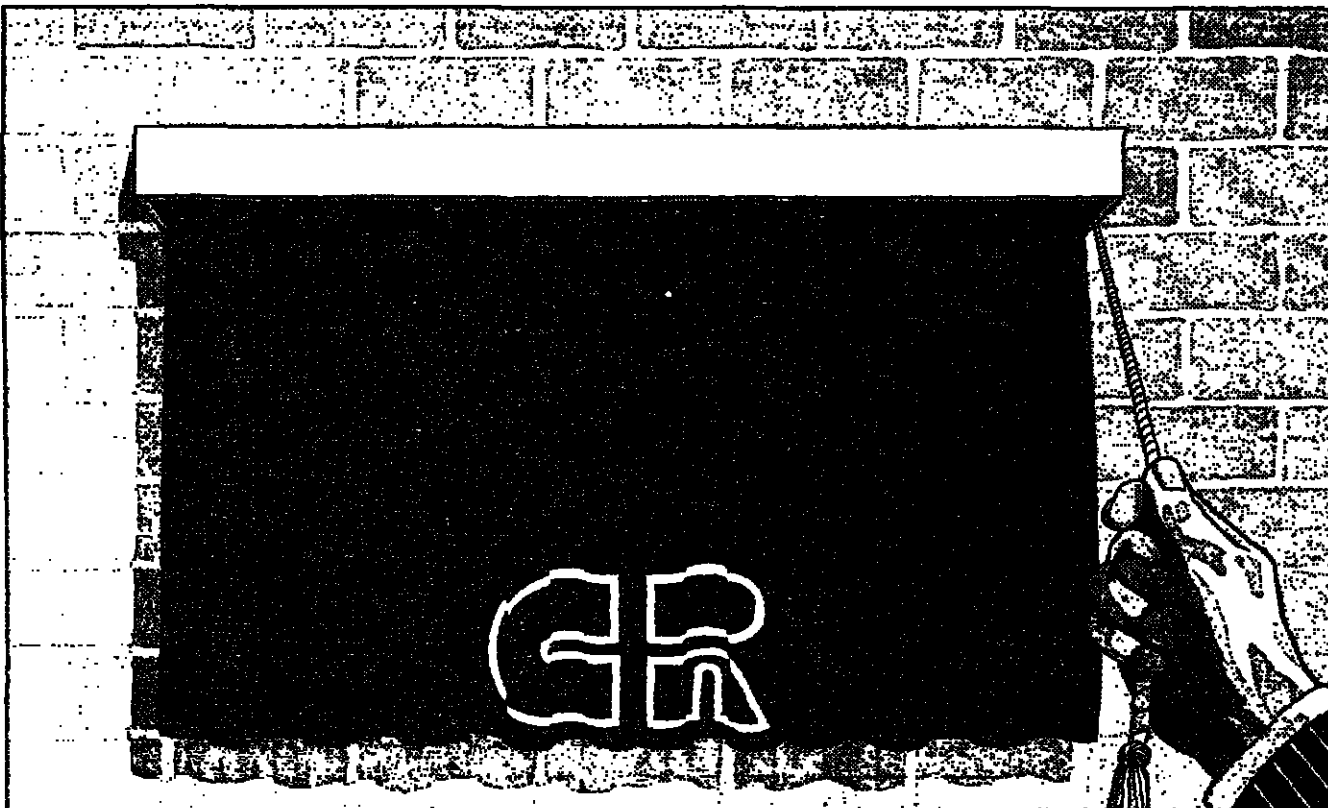
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After a successful first half, we look forward to unveiling even better news at the year end.

1988 is likely to be the most significant and successful year in the company's 10 year history.

In the UK, three major purchases since January are expected to impact very materially on the value of the portfolio at the year end.

USA operations in Gary, Indiana and East Chicago are also showing very satisfactory results and should contribute substantially to net asset value this year.

The company is soundly based, with

interest costs covered by existing rental income, even though much of the portfolio is currently let at rents below open market levels.

We look forward to the year end, with a most satisfying growth in net assets in prospect.

Unaudited first half results show pre-tax profits up 75% at £302,794 (1987 first half: £173,503) and earnings per share up 84% at 1.75p (1987 first half: 0.95p).

The Directors have declared a doubled interim dividend of 0.2p per share.

Capital and Regional Properties plc

22 GROSVENOR GARDENS, LONDON SW1W 0DH
Telephone: 01-730 5565.

The contents of this advertisement are based on the Interim Report, and have been approved by the Company's Auditors, Messrs Skidmore, a firm authorized by the ICABW. Copies of the Report are available from the Secretary.

Beazer sells three Koppers units for \$48m

By Phillip Coggan

Beazer, the construction and aggregates group, has sold three of the units of Koppers, the US aggregates and chemicals business which it acquired for \$1.7bn earlier this year.

UK COMPANY NEWS

Minorco sees no reason for bid to go to Panel

By Kenneth Gooding, Mining Correspondent

THERE WAS no reason for Minorco's £2.95m bid for Consolidated Gold Fields to be referred to the UK Monopolies Commission, Mr Roger Phillimore, one of the new Minorco executive team, insisted yesterday.

The UK Labour Party has been campaigning for an inquiry on the grounds of public interest because more than 60 per cent of Minorco's shares are held by South Africans. It claimed last week that if the bid was successful, South African investment in the European Community would double.

Mr Phillimore said yesterday: "We do not think that there is any basis for referral. There are no competitive grounds whatsoever."

He also denied it was a highly leveraged bid. Minorco could take its shareholding in Gold Fields up to nearly 50 per cent (from the present 39 per cent) by using its own ready

cash and to 70 per cent by issuing shares.

The London stock market yesterday appeared to be more confident that the UK authorities would not intervene and the Gold Fields share price moved up another ¼ to £13 ¾. This followed a 37.5p jump on Wednesday, prompted by rumours from Johannesburg that Minorco would make an all cash offer of at least £14.50 a share.

With the Minorco shares at 70p each last night the offer is worth just over £13 Gold Fields share.

Meanwhile, Mr Rudolph Agnew, chairman of Gold Fields, yesterday resigned from the board of Anglo American Corporation, part of the Oppenheimer family empire which with its sister company, De Beers, controls about 60 per cent of Minorco.

His letter to Anglo again raised the issue of Minorco's apparent about-face over some

key shareholdings in the Gold Fields portfolio.

Mr Agnew recalled that Minorco said when making its offer that, if it was successful, it would sell Gold Fields' 38 per cent shareholding in Gold Fields of South Africa (GFSA) and reduce its interest in Newmont Mining, the US gold producer of which Gold Fields owns 49 per cent.

However, until the bid came along, Anglo had encouraged Gold Fields to retain its shareholding in GFSA and had fully supported Gold Fields' rescue of Newmont from an unwelcome takeover approach last year.

A delegation from Gold Fields yesterday took up Wednesday's invitation from Lord Young, the UK Industry Secretary, to meet officials at his department to discuss the possibility that there had been a massive leak of inside information in advance of Minorco's announcing its offer.

Pittard shares rise well above bid price

By Clay Harris

SHARES in Pittard Garnar jumped 39p to 217p yesterday, well above the value of the £40.7m hostile bid launched late on Wednesday by its fellow leather group, Strong & Fisher.

The Office of Fair Trading, meanwhile, confirmed that it was studying the bid.

In 1986, an offer by Strong for Garnar Booth, one of the current target's predecessor companies, was referred to the Monopolies and Mergers Commission.

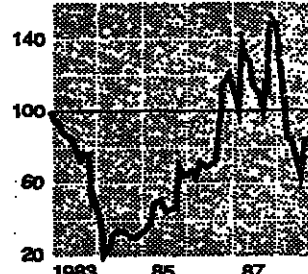
However, Strong abandoned the bid before the commission had a chance to report, and Pittard subsequently took over Garnar after a battle with Hilldown Holdings, the diversified industrial and consumer products group.

Hilldown, which emerged with a 16 per cent stake in Pittard, may play a key role in the outcome of the latest offer. Hilldown said yesterday that it was "watching developments."

Regulatory scrutiny is likely to focus on the UK sheepskin market. Strong is estimated to have between 25 and 30 per cent of the sector, with Pittard not far behind.

Pittard Garnar

Share price relative to Strong and Fisher share price



Any prospect of Hilldown mounting a "white knight" bid for Pittard is complicated by its third-place ranking in the same market.

In addition to citing monopolies questions, Pittard said the offer price represented an "insignificant premium" and there was no case for a merger.

Strong shares fell 12p to 248p, valuing the offer for Pittard at £89.4p. Strong is offering three shares and £11.50 in cash for every 10 Pittard shares.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres. pending dividend	Total for year	Total last year
Advent	9.72	Oct 17	7.6	11.75	9.4
Albany Int Tel	0.7	Nov 24	0.65	1.5	2.25
Audio Fidelity	1.25†	Nov 14	0.1	0.5	0.5
Boussard	0.3†	Nov 14	0.1	0.5	0.5
Brixton Estate	3.5	Nov 11	0.5	4	7.8
Card Group	3	Nov 11	0.1	0.3	0.3
Cap & Regional	0.2	Nov 11	0.1	0.3	0.3
CI Group	0.7†	Jan 3	0.525	1.375	1
Clinton Cards	1	Nov 11	-	0.85	-
Colony	0.85	Nov 3	1.12	2	1.76
Dorland & Mills	1.25†	Nov 11	6.468	10	8.608
Frogmore Estates	7.7†	Nov 11	1.9	4	4
Geest	2.25†	Dec 5	0.587	1.967	1.967
Hay (Norman)	0.68	Oct 26	0.75	3.5	6
Headman, Sims	0.75	Jan 6	1.75	4.6	4.6
Thermostat Bus	4	Nov 2	7	19	19
Time Products	2.9†	Nov 2	1.2	4	4
TV-am	1.5	Nov 2	1.2	4	4
Ued Friendly	9.6	Nov 2	1.2	4	4
Ued Newspapers	7.5	Nov 2	1.2	4	4
Whitman Reeve	1.5	Nov 2	1.2	4	4
Whittington	0.2	Nov 14	0.2	0.2	0.2
World of Leather	0.85	Nov 14	0.2	0.2	0.2

Dividends shown pence per share net except where otherwise stated. †Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. \$USM stock. \$SUnquoted stock. †Third market.

Frogmore surges to £39.5m

By Paul Cheeseright, Property Correspondent

FROGMORE ESTATES, the property investment and trading company which over the past two years has been restructuring its portfolio, has lifted its net asset value per share by 66 per cent to 43p.

Pre-tax profits, which the company had forecasted would be "exceptional," rose to £39.5m in the year to June from a restated £15.8m last year.

These results helped push the market price of the shares up 17p to 42p in a generally firm property sector.

The rise in asset value,

boosted by the valuation of office properties acquired in Holborn - which have subsequently been refurbished and relet - and helped by the general increase of property values, was higher than that of most property groups, although comparisons are difficult because of different year ends.

At the company's year-end its investment portfolio was valued at £188m and net assets totalled £182m.

The pre-tax figure comprises the sale of both dealing and investment properties and

rental income of £12m. Sale of investment properties realised £11.5m before taxation. Frogmore classifies any property held for more than two years as an investment property.

Earnings per share, excluding any input from the sale of investment properties, were 42.5p, against 23.3p in 1987, and covered prospective dividend payments more than four times.

Shareholders are to receive a final dividend of 7.7p, making a total for the year of 10p, compared with 4.50p last year.

At the year-end Frogmore had £26m of debt, but this has now increased to around £40m. The company has 215,000 facilities in place.

Frogmore is seeking to build a portfolio in which there are ready opportunities to increase the value of individual properties, so a steady flow of sales and acquisitions is expected to continue. "By working the portfolio we should secure above average growth," said Mr Phillip Davies, the managing director.

Clinton Cards improves

Trading profits at Clinton Cards increased from £123,000 to £165,000 in the six months to July 30, but with the inclusion last time of a £94,000 property contribution, the pre-tax balance fell to £151,000, against £197,000 previously.

With turnover up 54 per cent to £7.63m, the interim results

reflect the fact that sales are very much higher in the second half. The results are the first since Clinton joined the USM in April.

The first-half tax charge was £53,000 (£38,000) and earnings per 10p share came to 0.5p (1.4p). The interim dividend is 1p.

Brixton Estate rises to £7.69m

By Paul Cheeseright, Property Correspondent

BRIXTON ESTATE, property development and investment group, continued its steady growth during the first half on the back of a strong industrial market.

Pre-tax profits for the six months to end-June were £7.69m compared with £6.04m in the first half last year and £13.2m for the whole of 1987. Earnings per share rose to 6.55p (5.34p) and the interim dividend is lifted to 3.5p, against 3p last time.

The group specialises in industrial property, largely in

the south east of England, although it has interests in Belgium, France, Germany, Australia and the US, and also has significant office properties.

The industrial property sector in the UK has been performing strongly with returns outstripping those of offices and retail property. This was reflected in the growth of net rental income, which rose to £13.56m (£12.06m).

Brixton lifted property dealing profits from £450,000 to £1.15m following sales of prop-

erty on London's North Circular Road, although such a doubling would not necessarily be repeated in the second half.

The basic sources of Brixton's income will be the same in the current period as during the first six months, although developments in High Wycombe and in west London will start producing rental revenue. Over the longer term, proposals for a 160 acre mixed development at Hersham in Surrey are likely to be the subject of a planning enquiry next year.

STC offshoot in Danish deal

By Hilary Barnes in Copenhagen

ICL, information system subsidiary of STC, has acquired a 50 per cent stake in Regnecentralen, Danish computer manufacturer.

The deal marks the second European joint venture agreement announced by ICL this week, the first being with a Spanish software house.

Mr Tomo Haxmilovic, ICL European president, said that similar agreements could be

expected as ICL sought to strengthen its position in preparation for the completion of the EC's internal market.

The partnership with RC, supplier of packet-switching networks and micro and mini computers, will create a Danish unit with over 700 employees and a turnover of Dkr 600m (€50m).

The Danish company,

founded in the late 1960s, has consistently failed to generate sufficient profits to build up a marketing and sales apparatus to match the technical excellence of its products.

RC made substantial losses of about Dkr 30m in both 1986 and 1987, but expects to come close to break even in the current year and in partnership with ICL should make a substantial profit in 1988.

The merger will take place by a doubling of RC's share capital to Dkr 140m. ICL will acquire the new capital at its nominal value.

The company will operate under its Danish name while ICL will supply management know-how under a five-year management agreement.

The Quarterly Report as of 30th June 1988 has been published and may be obtained from:

Pieroon, Holding & Pierson NV
Herengracht 214, 1016 BS Amsterdam.
Tel. +31-20-211188

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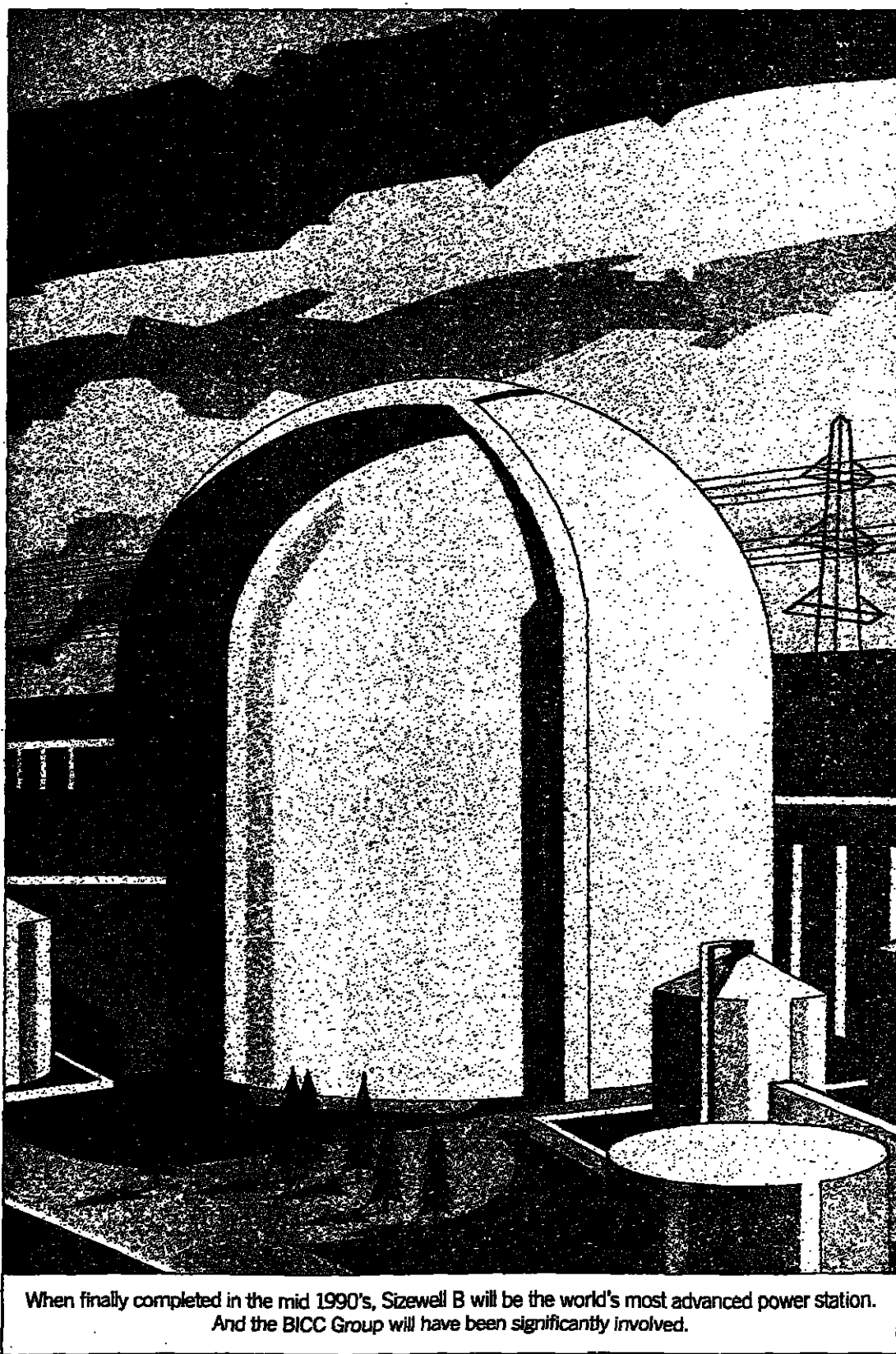
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Tim Sharp, Head of Corporate Communications,
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Brixton Estate

U.S. \$500,000,000
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due 2005

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from September 30, 1988, to October 31, 1988, the Notes will carry an interest rate of 8 1/8% per annum. The interest payable on the relevant interest payment date, October 31, 1988, will be U.S. \$73.19 per U.S. \$10,000 nominal amount in Bearer (Coupon No. 38) or Registered form and U.S. \$1,829.86 per U.S. \$250,000 denomination in Bearer form (Coupon No. 38).

By: The Chase Manhattan Bank, N.A.
 London, Agent Bank
 September 30, 1988

INDIA

The Financial Times proposes to publish this survey on:

20th December 1988

For a full editorial synopsis and advertisement details, please contact:

Hugh Sutton
 on 01-248 8000 ext 3238

or write to him at:

Bracken House
 10 Cannon Street
 London
 EC4P 4BY

DANISH INDUSTRY & EXPORTS

The Financial Times proposes to publish this survey on:

24th October 1988

For a full editorial synopsis and advertisement details, please contact:

Ruth Pincombe
 on 01-248 8000 ext 3428

or write to her at:

Bracken House
 10 Cannon Street
 London
 EC4P 4BY

CVAS 6 LIMITED
 U.S. \$100,000,000
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Interest Rate 8.0425% p.a. Interest Period September 30, 1988 to March 31, 1989, inclusively, was determined by Dresdner Bank AG (London Branch) as Reference Agent to be

September 30, 1988 London
 By Citicorp, N.A., (CDS) Dept. 1, Agent Bank

Republic of South Africa

U.S. \$75,000,000
 Floating Rate Notes 1984/1989

The Rate of Interest applicable to the Interest Period from September 30, 1988 to March 29, 1989, inclusively, was determined by Dresdner Bank AG (London Branch) as Reference Agent to be

9% per cent per annum. Therefore, interest per Note of U.S. \$10,000 principal amount is due on March 30, 1989, in the amount of U.S. \$452.50

Frankfurt am Main, in September 1988

Dresdner Bank
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UK COMPANY NEWS

TR stresses role of independents

Philip Coggan on an investment trust's move to resist takeover

IS THE future of the investment trust industry under threat? It is, according to TR Industrial and General, the Touche Remnant-managed trust which is facing a \$560m bid from the British Coal Pension Funds.

TRIG is lobbying the Office of Fair Trading for the bid, the largest ever made for an investment trust, to be referred to the Monopolies and Mergers Commission. It sounds like a desperate throw from a management group which has faced attacks on one after another of its trusts, but Touche Remnant maintains that there is a serious case for a reference.

TRIG also reveals in its submission that BCPF made an approach last year with a view to taking a stake in Touche Remnant itself. The current bid for TRIG would have this effect since the trust owns 27.5 per cent of the unquoted management company.

Over the last 15 years, investment trusts have lost out in the popularity stakes to unit trusts. In 1975, the net assets under investment trust management were £5.67bn, compared with £2.51bn managed by

unit trusts. The ratio has now been reversed. On July 31, unit trusts managed net assets of £41.65bn and investment trusts just £20.58bn.

However, TR argues that investment trusts are a much better vehicle for the private investor, whom the Government is supposedly trying to encourage. Statistics can be produced either way to show whether investment or unit trusts have performed better in the long term; but investment trust charges are definitely cheaper.

TRIG says its management charge is about 0.2 per cent per annum, compared with an average unit trust management charge of 1 to 1.5 per cent. In addition unit trusts make a front end charge of between 5 and 7.5 per cent, whereas an investor buying shares in an investment trust would pay an average of about 1.65 per cent in commissions. Add in the fact that the bid/offer spread on unit trusts is normally larger and the attractions of investment trusts appear self-evident.

However, although the trusts have made an effort to increase their popularity through regular savings schemes, unit

trusts have two crucial advantages. They have the freedom to advertise, and to pay commissions to intermediaries.

The lack of demand for investment trusts' shares is reflected in their discount to net asset values. That in turn represents an opportunity for institutions like the British Coal Pension Funds to take them over at a profit.

A series of trusts have in recent years been taken over or unitised in order to realise their net asset value. This tendency, TRIG argues, diminishes the number of independent fund managers, thereby reducing the investor's choice.

"In particular," TRIG's submission argues, "many insurance companies manage unit trusts and by purchasing investment trusts...they are able to reduce significantly competition for those investment funds."

If TRIG is taken over, the submission argues, other trusts, including Globe, the largest, where BCPF owns 28.8 per cent, may not be far behind.

It remains to be seen whether TRIG's advocacy, which is believed to be supported by the Association of

Investment Trust Companies, will sway the OFT. The investment trust industry is far from united, as demonstrated this week when River Plate & General took a 26.6 per cent voting stake in TR Australia and said it wanted to see a unitisation scheme, or some other means of realising net asset value.

The battle for TRIG may yet be decided by hard cash rather than theoretical arguments. On Wednesday, TRIG announced a planned 17 per cent full-year dividend increase and said its net asset value, as of September 12, was 143p per share, compared with the BCPF offer of 129.5p. The trust also announced an interim dividend of 1.2p (0.8p).

TRIG's board has not produced any alternative scheme, like unitisation, to allow shareholders to realise the full asset value of the fund. However, the defence document says that, if the bid fails, the board will meet BCPF to discuss alternative arrangements.

BCPF is expected to make a statement today and is likely to stick to its guns. On Wednesday, it said that it continued to believe that its offer represented fair value.

Acquisitions and organic growth lifts CI to £2.5m

By Richard Tomkins, Midlands Correspondent

A COMBINATION of acquisitions and organic growth took profits at CI Group, Wolverhampton-based steel and engineering company, up from £1.09m to £2.51m in the six months to July 31.

Mr Cedric Grew, formerly managing director and now chief executive, did not break down the profit contribution but said existing businesses had made a large contribution.

"Everyone in the Midlands is busy," he remarked. "We had tremendous organic growth, far above the 20 to 25 per cent target we normally set."

Turnover was up from £17.68m to £25.57m. Shares issued for acquisitions checked earnings growth at 48 per cent, from 1.59p to 2.35p. The interim dividend is 0.7p (0.53p).

CI has regrouped its 18 subsidiaries into two divisions - steel and engineering. Mr Grew will now spend more time on corporate strategy and a finance director will soon be appointed.

Mr Grew said the steel division saw strong demand from the construction industry, its most important market, because of the buoyancy of the commercial and industrial sectors.

Ripal, the largest acquisition to date, made a limited contribution to the engineering division's first half because of a lumpy flow of business. A bigger contributor to the increase had been Redman Fisher, which saw a lift-off in demand for industrial grating.

Mr Grew said he expected present levels of activity to continue through the second half. CI would also be spending £1m on developing J & F Poole's presence in the market for perforated metal and expanding Redman Modula System's output of raised access flooring.

A consortium led by Mr Ahmed Abdullah now holds 18 per cent of CI's shares, but Mr Grew believes its presence is benign. Mr Roy Kettle, CI chairman, is on the board of Evesed, the conglomerate headed by Mr Abdullah's brothers, Raschid and Osman.

Geest rises 18% to over £9m at midway

By Andrew Hill

GEEST, fresh produce and prepared foods group, increased pre-tax profits by 18 per cent from £7.74m to £9.16m in the 26 weeks ended July 2.

Turnover also rose 18 per cent to £239m (£203m) and earnings per share were up from 8.9p to 9.3p. An interim dividend of 2.25p (1.9p) was declared.

Mr Leonard van Geest, chief executive, said trading profits - up from £8.73m to £8.58m - had grown faster than the pre-

tax figure because of reduced exceptional gains from property and land sales, which fell from £1.01m, after restructuring costs, to £333,000.

Following a much stronger year from the banana import business for which Geest is best known, fresh produce sales increased to £210m (£188m), generating trading profits of £8.57m (£7.71m). Sales in 1987 were hit by bad weather in the Windward Islands.

Mr van Geest said other areas of the fresh produce operation suffered following the wet summer in the UK which boosted supplies but reduced demand.

Geest added Clipper Group, manufacturer of fish products, to the food preparation division just over a year ago, but low margins held back the division's overall margins in the first half. Trading profits increased from \$667,000 to £1.01m on sales of £23.5m (£6.31m).

In August, Geest bought Katie's Kitchen, chilled pizza and prepared recipe manufacturer, for £9.8m.

ally match the established fresh produce operation. The division's existing businesses increased profits by 30 per cent and turnover by 36 per cent, so City gourmets' criticism is reserved for Clipper's low-margin performance, yet to respond fully to management and product changes. Elsewhere, cash flow is good - £3m of cash in the bank after the acquisition of Katie's Kitchen should grow to £10m by the end of the year - and Geest's relationship with the multiples, which account for about 45 per cent of its business, is strong. Despite this the shares, down 2p to 282p yesterday, look fairly valued. Pre-tax profits of about £17m in the full year would put them on a prospective p/e of about 15, another deterrent for potential predators like Northern Foods, already controlled by a 38 per cent Geest family shareholding.

BOARD MEETINGS

TODAY

Interline - Ambrtt Int, Churchbury Estates, Coates Brothers, Conrad, Fortnum & Mason, M&L, Plastic Construction, Royal Trust Dollar Inc Fund, Sherwood Green, Top Value Ind, Trpwest, Wanda Colley.

Monday

Albion, All Electric, China & Eastern Inv, Courtney Pope, Microfilm Reprographics, Royal Trust Japan Growth Fund, Welsh Ind, Wm. Trust

Future Dates

Atlantic Secs. Trust - Oct. 7
 Austin Reed - Oct. 8

BOARD MEETINGS

Oct. 5

Brown & Jackson
 English National Inv
 Environmental
 Helical Bar
 Mustertin
 Pharm
 Sherris & Law
 Phoenix

Oct. 6

St. Honeywells
 Medminster
 Westoverland Areas
 Personal Computers
 Scottish Met. Property

COMMENT

The sourcing of raw materials, and the sourcing of prepared meals are two of the crucial ingredients in the development of Geest's prepared foods division, sales from which, Mr van Geest suggests, could eventu-

Operating Profit
 before income tax
 \$A406.5 million (+ 189%)

Earnings Per Share
 adjusted
 80.05¢A (+ 304.4%)

Operating Revenue
 Year to 30 June, 1988
 \$A5,008.5 million
 (+ 101.2%)

Bond Builder of businesses

A record year

Substantial earnings growth by all divisions was the outstanding feature of the results of the Bond Corporation Holdings Limited Group of Companies for the financial year to 30 June, 1988.

Record results were achieved in all key areas, including operating revenue, after-tax profit and earnings per share.

Highlights of the year included:

- Substantial further growth in the contribution to profit by the Australian brewing division.
- Strong performance by core brands following implementation of new operational and marketing programs in the United States brewing division consequent upon the acquisition during the year of G. Heileman Brewing Company, Inc. The strategic development plan for Heileman US assigns priority to profitability through quality, efficiency and increased sales in core markets.
- Exceptional returns from continued trading in prime commercial and residential property in Australia and internationally.
- A continuing high level of growth in contribution from the Corporate division.

Subsequent Developments

Since balance date Bond has acquired majority interests in The Bell Group Ltd, and Bell Resources Ltd, two of Australia's top 100 companies.

Bond intends to accelerate the existing Bell divestiture program with orderly disposal of assets which do not fit with Bond's core businesses or do not meet Bond's other investment criteria. Consequently, Bond debt level increases incurred through the acquisition of the Bell companies will be reversed.

Bond has also reached agreement in principle to participate with the Government of Western Australia in development of a major petrochemical plant.

PERFORMANCE DETAILS

Division	Operating Revenue \$A million	Contribution* \$A million
Brewing/hotels/liquor	3,207,852 (+ 90.4%)	287,222 (+ 42.2%)
Media	122,331 (+ 67.3%)	30,254 (+316.3%)
Property	291,058 (+567.4%)	141,710 (+568.2%)
Petroleum	67,705 (+ 21.7%)	19,109 (+ 56.4%)
Coal	46,847 (+ 14.4%)	7,717 (- 27.3%)
International	387,486 (+458.7%)	116,348 (+196.6%)
Corporate	885,181 (+ 69.7%)	175,259 (+250.4%)

* Before net interest and income tax.
 ** Contribution reduced by conditions affecting the Australian coal industry generally.

BOND
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For further information, please contact Bond Corporation Holdings Limited:

HEAD OFFICE: Level 17, International House, 26 St. George's Terrace, Perth, Western Australia 6000.
 Telephone: (09) 325 4555; Facsimile: (09) 325 4156; (09) 421 5340; Telex: 92901.

LONDON: 17 Great Cumberland Place, London, W1A 1AG. Telephone: (1) 262 8040.
 Facsimile: (1) 723 0204; Telex: 261807.

HONG KONG: 45th Floor, East Tower, Bond Centre, 89 Queenway, Central, Hong Kong.
 Telephone: (5) 848 1668; Facsimile: (5) 845 0341; Telex: 82423.

UK COMPANY NEWS

Strong demand lifts Time Products 54% to £7.6m midway

By Vanessa Houlder

TIME PRODUCTS, watch manufacturer and distributor, raised interim pre-tax profits by 54 per cent from £4.98m to £7.6m, reflecting strong demand across the range of brands. Turnover in the six months to July 31 rose by 23 per cent from £24.2m to £29.7m. UK profits jumped by 58 per cent to £3.9m (£2.12m), with Sekonda, the volume watch brand, increasing its market share to about 15 per cent. The luxury watch division also produced strong growth, with particularly successful performance from the recently acquired Piaget and Basmé & Mercier brands.

The Hong Kong operation increased profits to £2.8m (£2m), following strong demand for its expensive, higher margin products.

There was an extraordinary profit of £1.04m after tax, as a result of selling shares in a trade investment. Finance income increased from £954,900 to £2,700,000. Net liquid assets stand at £22.7m (£16.5m).

The group has moved its head office and headquarters to London's West End, close to its customer base. A full revaluation of its properties, now valued at £5m, will be incorporated in the year-end accounts.

Earnings per share increased by 36 per cent to 10.72p. The interim dividend was increased

from 1.75p to 2.5p, in an effort to reflect a more even trading performance between the two halves of the year.

COMMENT

This set of sparkling results provided analysts of consumer stocks with a welcome cause for enthusiasm and the share price rose by 3p to 239p. Behind the surge in UK sales is Time's marketing flair and clout, which has enabled it to benefit from the rationalisation of the jewellery shop sector. This increase in its market share should continue, helped by some slick television advertisements for Sekonda by comedian Harry "Loads of Money" Enfield this Christmas. Meanwhile, Time is hoping to increase its distribution in Europe and is dipping its toe into the US market. It may also set about launching a low-priced fashion brand to exploit the Sekonda label and - backed by its sizeable cash reserves - is looking for bid targets with undervalued brand names. Time would clearly be vulnerable to a downturn in consumer spending, yet this would be minimised by its relative lack of exposure to the middle market. All this - plus the outside chance of a takeover bid - make the shares look attractive on a p/e ratio of 10, a figure that assumes it makes a total of £16.5m this year.

A likely white knight prospecting for gold

Kenneth Gooding looks at the possibility of Newmont Gold launching a rescue for Gold Fields

IS THERE any "white knight" willing and able to rescue Consolidated Gold Fields, the UK-based mining finance house, from the unwelcome attentions of Minorco? The question has been puzzling many analysts since the South African-controlled investment vehicle launched its £2.9bn bid last week.

Various names have been mentioned in this connection, including RTZ Corporation and, almost inevitably, the ever-acquisitive Hanson group.

Unexpectedly, many London analysts are instead looking across the Atlantic for the most likely source of a rescue and towards Newmont Mining and Newmont Gold. At present, Gold Fields owns 49 per cent of Newmont Mining, which in turn controls 90 per cent of Newmont Gold.

"About the only way I can see for Gold Fields to stay more or less intact is for Newmont Gold to bid for both its parent group and Gold Fields," says Mr Christopher Spreckley of CI-Alexanders Laing & Crutchenbank.

Mr Jeff Ware of County Nat-West warns: "Gold Fields could dump its remaining South African interests and merge with the Newmont company into an Anglo-American group which would probably include in its articles a prohibition on South African nationals holding its shares."

The analysts point out that the three companies, and their senior managements know one another well. Gold Fields took its first stake in Newmont nearly 10 years ago after Minorco's South African parents made their first dawn raid on the UK mining and industrial group.

The move was partly defensive but Gold Fields was also interested in moving deeper into the copper business to which Newmont was heavily committed at that time. (Ironically, Newmont subsequently sold off its copper operation.)

Last year, tempted by the exceptionally high prices being offered for gold stocks, Newmont Mining floated 10 per cent of Newmont Gold and intended to turn itself into a major mining finance house with a diversity of interests.

However, this grand scheme abruptly fell apart last autumn when Newmont Mining received a hotly-contested bid from a group led by Mr T Boone Pickens, the well-known Texas corporate raider.

On that occasion, it was Gold Fields' turn to play the "white knight" and the bid was awarded after the UK company increased its shareholding in Newmont Mining from 26.3 per cent to 49 per cent.

In order to achieve this manoeuvre, Newmont Mining paid a special dividend of \$33 a share. However, while this gave Gold Fields the cash to boost its shareholding, the pay-out cost Newmont Mining \$2.2bn of which \$1.75bn was borrowed.

Newmont Mining immediately put everything it considered non-essential up for sale to reduce the debt which also bore down on its share price. For most of this year the parent has been trading at an effective 26 per cent discount to the Newmont Gold share price.

So analysts would expect any bid for Gold Fields to be made with the more highly rated Newmont Gold shares.

The Newmont companies have already dropped hints that they eventually will merge.

Is there more than just pure speculation in these suggestions about a Newmont/Gold Fields merger? Some analysts feel that there is some evidence that Gold Fields might be working on such a scheme. They believe it is significant that Gold Fields immediately after the Minorco approach appointed a high-powered American team as part of its defence corps.

Wasserstein Perella, the

small but glamorous Wall Street corporate finance company in which the Japanese securities house Normura has a 20 per cent stake, is among several US advisers called upon by the UK group. Wasserstein helped Gold Fields during the Pickens' bid for Newmont.

But, in spite of all the firepower these organisations could bring to bear, would not Newmont Mining's huge debt load make a three-way merger unpalatable?

Not necessarily, says Mr Ware. He says the major programme of asset sales by Newmont Mining, including \$353.2m raised by the disposal of its shares in Du Pont and more than \$200m from last week's sale of its Netherlands oil and gas interests to Clyde Petroleum, will have reduced its debt by the end of this year to a manageable \$50m. And \$48m is in the form of a gold loan, bearing interest of only 1 1/2 per cent.

The attraction of the Newmont companies to Mr Pickens, and to Gold Fields, was not particularly apparent at the time of the bid last year. Subsequently, however, Newmont Gold has been much more forthcoming about its prospects.

Newmont Gold has nearly 15m troy ounces of mineable gold reserves and rapidly ris-

ing gold production from the Carlin Trend in Nevada. It holds a dominant position of more than 2,300 square miles encompassing the 50 mile-long Trend, probably the most important gold field discovered outside South Africa.

An ambitious expansion programme should make Newmont Gold the largest non-South African gold producer in the world this year with a predicted output of 830,000 ounces.

There are already indications that the US authorities are taking a very keen interest in Newmont Gold's future. For example, when Gold Fields wanted to increase its shareholding in Newmont, the UK company was asked to provide the US authorities with substantial documentation to show it was not controlled by South African interests.

"The US would be happier to see Newmont Gold's parent company based in the States," says Mr Spreckley.

In any event, the analysts predict that Minorco, because of the preponderance of South African interests among its shareholders, might well face considerable official US opposition to its bid for Gold Fields.

Analysts can see no other obvious "white knight" for Gold Fields, not even the widely-tipped RTZ. "I've racked my

brains but I really can't see anyone," complains Mr David Ridley of Williams de Broe.

He rules out RTZ because "the philosophy of the two groups is so different and there is considerable rivalry, even antagonism, between them."

Other analysts point out that, although RTZ has a growing cash hoard of more than \$650m after disposals, it has insisted on several occasions recently that it would not be rushed into buying assets at high prices. It was interested only in situations where it could add value and justify the purchase in terms of improved earnings per share.

Like RTZ, Hanson would also be perceived by Gold Fields more as another opportunistic raider than a white knight. Mr Ware suggests that, in any case, Hanson would be deterred by the fact that Gold Fields' South African assets would be difficult to sell at a good price, given that they would almost certainly attract only South African buyers.

That leaves only rank outsiders. Mr Ware and Mr Ridley suggest that in this category come British Petroleum and Shell, both of which have substantial mining and metals interests and would fit in with Gold Fields' concept of itself as a major natural resources group.

CaIRD to raise £12.5m via one-for-two rights issue

By Clay Harris

CAIRD GROUP, the fast-growing waste treatment and disposal company, yesterday launched a one-for-two rights issue to raise £12.5m and reported sharply higher pre-tax profits of £1.48m for the year to June 30.

The rights issue, as well as the £9.6m proceeds from the recent disposal of most of a property portfolio bought during the year, will eliminate group borrowings.

A final dividend of 3p raises the total to 4p, eight times the pay-out in 1986-87. Since then, new management led by Mr Peter Linares, former stockbroker and now chairman, has transformed CaIRD from a Scottish-based property investment

company into an environmental "waste" group.

CaIRD shares fell 15p to 298p, compared with the 240p rights issue price.

During the financial year, CaIRD spent £5.5m on environmental services acquisitions. Although none of the companies made a full-year contribution, together they accounted for profits of £585,000 on turnover of £2.8m.

The pre-tax advance from £49,000 was achieved on group turnover more than five times higher at £5.9m (£1.1m). Earnings per share rose to 14.27p (0.65p). Property disposals in Scotland produced an extraordinary credit of £184,000 (£386,000).

Boustead at £1m midway

BOUSTEAD, international trading group, yesterday revealed pre-tax profits sharply higher at £1.07m in the half year to end-June.

The advance from £368,000 was scored on turnover 46 per cent ahead at £20.79m after consolidation of Metal Supplies' results as a group subsidiary. Earnings per 10p share improved to 1.16p (0.56p) and

the interim dividend is lifted to 0.3p (0.1p).

Mr Tommy Macpherson, chairman, said the three companies had transformed the group's profile. "The period of intensive care and convalescence is now behind us."

A net profit of £1.62m relating to the sale of a freehold property in the City of London was taken below the line.

Whatman Reeve at £4m

PROFITS ROSE 13 per cent at Whatman Reeve, manufacturer of products for separation and purification, in the six months to June 30. The taxable result of £4.08m compared with £3.61m previously and was scored on turnover up from £18.15m to £21.99m.

The directors said that of the 21 per cent rise in sales, some

14 per cent was from the recently acquired Tri-Dim Filter Corp of the US. The real growth in sales was again masked by adverse exchange rates, they said.

After total tax of £1.54m (£1.1m) earnings per 5p share were 11.75p (10.17p). The interim dividend is raised 0.3p to 1.5p.

Europe Growth Fund
The Quarterly Report as of 30th June 1988 has been published and may be obtained from:
Pieroon, Holding & Pierson NV.
Herengracht 214, 1016 BS Amsterdam.
Tel. +31-20-211188

GRANVILLE SPONSORED SECURITIES						
High Low	Company	Price	Change	Gross Div Yld	% P/E	
235 185	Am. Bell. Int. Ordinary	235	0	8.7	3.7	8.8
235 186	Am. Bell. Int. CHLS	235	0	10.0	4.3	
40 25	American and Bonds	35	1			
57 37	BHSI Sector group (USM)	37	0	2.1	5.3	5.9
171 135	Barton Group	171	0	3.5	1.9	24.1
115 100	Barton Group Conv. Pref.	115	0	5.2	4.0	9.4
140 130	Bay Technology	130	0	11.0	9.0	
114 100	Brenthall Conv. Pref.	111	0	12.3	4.3	4.3
287 246	CCI Group Ordinary	288	0	14.7	9.0	
164 124	CCI Group 11% Conv. Pref.	124	0	6.2	4.3	4.3
151 129	Carbo Pte (S&P)	150	0	6.2	4.1	13.0
113 100	Carbo 7.5% Pref (S&P)	112	0	10.3	9.2	
217 147	George Brier	217	0	12.0	3.8	7.0
108 60	Gold Group	108	0			14.2
118 87	Jackson Group (S&P)	110	0	3.4	3.1	12.2
350 245	Malthouse HV (AmS&P)	314	0	7.5	6.6	4.3
115 60	Revere Int'l Group	60	0	10.0	1.9	37.7
430 124	Scoutmans	415	0	17.2	2.1	13.1
279 194	Torley & Carlisle	279	0	5.7	3.4	8.6
4 56	Trustee Holdings (USM)	56	0	2.7	7.4	
113 100	Unicredit Europe Conv Pref	108	0	8.0	7.4	
301 203	W.S. Yates	301	0	14.2	5.4	37.9

Securities designated (S&P) and (USM) are dealt in subject to the rules and regulations of the Stock Exchange. Other securities listed above are dealt in subject to the rules of TSE.

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Impala Platinum Holdings Limited

(Incorporated in the Republic of South Africa)

Registration No. 5701978/06

CHAIRMAN'S STATEMENT

During the financial year to 30 June 1988, demand and price for the company's major precious and base metal products remained strong, in line with published reports of demand exceeding supply for most of these commodities during the period. The result has been that in 1988, as the company celebrates its twentieth anniversary, I have the pleasure of reporting record turnover and profits.

The year has also been significant in that the group has made considerable progress with expanding its operations; through the decision to proceed with the development of a new platinum mine, Karee; the offer to acquire a controlling interest in Messina which has considerable reserves of platinum; and several other new prospects which have the potential to add to our reserve base. These activities will ensure that the group is well placed to meet its future supply commitments in the platinum market, and also that the company is able to take advantage of any future expansion in market demand.

FINANCIAL RESULTS

During the 1988 financial year, distributable profit increased by 93.3% from R95,254,000 to a record R184,706,000.

The substantial improvement in profitability resulted from a 24.9% increase in turnover from R1,722,985,000 to R1,588,786,000. In spite of higher operating costs as a result of substantially increased underground development and improved employee benefits, before tax profit increased by 17.7% from R519,538,000 to R611,500,000.

The appropriation for capital expenditure for the year at R15,700,000 was considerably lower than the 1987 figure of R180,000,000. As a result of the higher before tax profits and the decline in capital expenditure, provisions for royalties, lease consideration and taxation rose considerably to R52.9 million (1987: R41.1 million); R60.3 million (1987: R61.7 million); and R231.4 million (1987: R195.6 million) respectively.

Earnings per share after tax and lease consideration increased from 477 cents to 520 cents and earnings per share after tax, lease consideration and appropriation for capital expenditure from 165 cents to 319 cents.

Dividends declared totalled 180 cents per share or R103,770,000 (1987: 180 cents or R92,240,000).

Total group borrowings at 30 June 1988 amounted to R181,193,000 compared with R178,112,000 at the previous year end.

MARKET

The 1987 calendar year was the first in which worldwide demand and supply for platinum both exceeded 3 million ounces. Continued growth in the use of automobile emission control catalysts, coupled with a considerable increase in demand from jewellery manufacturers, resulted in fabrication demand increasing by about 10% over 1986. Other areas of industrial consumption remained firm but fairly static. As in the previous financial year, it was the investment and speculative interest in physical platinum which resulted in overall demand exceeding primary supplies. The expected fall-off in industrial consumption after the October 1987 stock market crash has not taken place, and the platinum consumption trends established in 1987 have continued in the first six months of 1988.

The free market price of platinum fluctuated widely during the financial year under review, with the lowest daily settlement price on the New York Mercantile Exchange of US\$442.90 in February 1988 and the highest of US\$557.12 in August 1988. The lower prices reflected market perceptions of depressed industrial activity signalled by the stock market prices around the world in October 1987, whilst the higher prices, which have since been re-established in the first half of 1988, indicate the extent of the supply deficit in the face of the unprecedented demand levels. The recent strength of the United States dollar, and the continued weak oil prices, have prevented the market price of platinum from reaching even greater heights.

The average annual New York Mercantile Exchange settlement prices of platinum for the calendar years 1985, 1986 and 1987 were US\$291.80, US\$464.53 and US\$557.12 respectively, illustrating both the strengthening of industrial demand during this period and the mounting recognition of platinum as an important investment medium, increasingly becoming an integral part of the portfolios of major investors.

In the United States, automobile production declined sharply in comparison with the previous year as weaker sales were exacerbated by excessive stocks. The resultant decrease in demand for platinum from this sector, combined with a significant decline in investment interest, was not offset by increased consumption in other areas such as the electronics, petroleum and glass industries, which have shown some renewed strength, particularly in the first half of 1988.

Demand for platinum in Japan was at all-time record levels. The trend to larger cars and more cars per family unit in the domestic market led to higher levels of demand than previously seen from the automobile sector, whilst other industrial consumption areas remained firm. Continued growth in personal disposable income, combined with the lowest platinum price in Yen terms for 10 years and the continued decline in demand for platinum, also resulted in record levels of demand from the jewellery and physical investment sectors. New tax regulations resulting in the imposition of taxes, on interest from savings accounts has also fuelled the flow of funds into platinum investments in recent months. The Tokyo Commodity Exchange traded record levels of future contracts in the latter part of the financial year, accordingly the automobile industry demand for platinum, which was traded on the New York Mercantile Exchange, further illustrated the strength of investment demand in Japan.

European industrial consumption for platinum increased in a number of sectors, indicating the continued strength of the major industrial economies in Europe. The major contributor to this strong industrial demand was the automobile industry where car sales and production levels were combined with increased introduction of emission control catalysts in many European countries. This resulted in demand levels from this sector contributing to record consumption by the automobile industry worldwide. Demand from the jewellery and investment sectors in Europe was, however, disappointing, with platinum offers in both areas the lowest for some years.

The other platinum group metals enjoyed firm demand from their traditional consumption areas, with demand for palladium balanced by adequate supplies and stocks. Excess ruthenium stocks maintained prices at low levels, whilst speculative holdings of rhodium stocks were liquidated, resulting in weaker prices towards the end of the year, as the expected supply deficit in the face of consumption by the automobile industry did not materialise.

With demand for stainless steel having strengthened considerably in the second half of the year, the demand for nickel outstripped supplies, particularly as there were supply disruptions from major producers at the same time. This resulted in a three-fold increase in the price of nickel compared with the same period in the previous year.

OPERATIONS AT MINES, MINERAL PROCESSES AND REFINERIES

The considerably higher expenditure on underground development during the past year will make more Merensky face available for mining and will strengthen the company's position for the future.

Sinking and equipping of No. 12 shaft, and the host room and headframe excavations for No. 1 sub-vertical shaft, have been completed. These shafts are on schedule and will start producing in 1988 and 1991 respectively.

Retrievable plants to maintain acceptable environmental conditions are being installed at all shafts with working depths of approximately 1,000 metres. These third generation shafts are Nos. 9, 10, 11, 12 and No. 1 sub-vertical shaft. Capital expenditure on shaft sinking and associated development at Impala absorbed approximately R74 million out of the total capital expenditure of R114.7 million on mining fixed assets. Capital funds were also utilised on upgrading and improving the living conditions at the mine hostels and on mechanisation for further improvements in productivity.

Operations at Mineral Processes and the Refineries were satisfactory. Capital expenditure was directed at improving process efficiencies. For the current year capital expenditure excluding Karee is expected to be of the order of some R150 million of which about R65 million is on replacement shaft systems and the balance on mechanisation, housing and process improvements.

NEW PROJECTS

In October 1987, we announced the establishment of a new 300,000 annual ounce platinum mine, Karee, with an initial capacity of 100,000 ounces of platinum, increasing, in line with market demand, to 300,000 ounces of platinum annually. Karee will be developed by Impala's wholly owned subsidiary, Gazelle Platinum Limited. At the time of the announcement, it was planned to raise approximately R300 million for initial development by way of a rights issue in Impala. The rights offer was, however, not pursued in view of the general downturn on the stock market and in the platinum sector in particular.

The development of Karee, which commenced early in 1988, has continued its planned and internal funding arrangements have been made. The funding of housing in Rustenburg is being negotiated with financial institutions.

Capital expenditure on Karee's mining fixed assets for the 1987/1988 financial year amounted to R29.7 million. Capital expenditure during the current financial year is anticipated to be of the order of R260 million. Various options to finance Karee are currently under review.

MESSINA

In April 1988, Impala's shareholders were advised that the company had, subject to certain conditions precedent, made an offer to acquire a 55 percent shareholding in Messina Limited. Considerable progress has been made towards the fulfilment of these conditions. It is Impala's intention that the development of Messina's platinum interests in Labova proceeds as planned by that company. At the platinum mine site, the sinking of two second outcrop shafts is continuing and it is proposed to extract 200 tons of ore from both the Merensky and the UG2 reefs. This will enable final test work on the concentrator and smelting processes to be completed without any delay. The major benefits of the acquisition will be the enhancement of Impala's platinum reserves, greater flexibility of operations and the opportunity to develop a relatively low cost mining venture.

EXPLORATION

In addition to the development of Karee and the acquisition of a controlling interest in Messina, the company is investigating other platinum opportunities in order to broaden its production base and enhance its competitive position. In particular, geological work undertaken on the farms Middelland, located near Karee, and Moddergat, further to the north, over which the company owns mineral rights, is proving encouraging. Both of these prospects could support operations of moderate production capacity.

HUMAN RESOURCES

During the 1987/88 financial year, Impala continued its concerted efforts to raise productivity and safety standards. The company introduced new safety awareness programmes and continued to develop leadership and managerial skills. Programmes were developed to include all levels of the workforce and to provide the opportunity to participate in matters that affect them directly, that is, in such areas as safety, cost effective work and performance. These programmes will be extended further in the next year.

The company experienced a relatively good year in the field of labour relations. Agreements on improved wages and conditions of employment were successfully negotiated between the Springs Refineries and the National Union of Mineworkers (NUM) and the Federation of Mining Unions (FMU). A recognition agreement, covering certain categories of employees, was entered into between Metallurgical Processes and the Metal, Iron and Steel Workers Union (MISWU).

RELATIONS WITH THE BAFOKENG TRIBE

Impala's mining operations are conducted on land situated in the Bafokeng district of the Republic of Bophuthatswana in terms of a number of mining leases granted both before and after the independence of Bophuthatswana on 6 December 1977, under the provisions of the applicable mining legislation.

The land to which I have referred comprises a number of properties respectively owned by private individuals or organisations, by the Government of Bophuthatswana, and by the President of Bophuthatswana in trust for the Bafokeng Tribe. The leasehold properties which were transferred by the State President of South Africa to the President of Bophuthatswana in December 1977 comprise the major part of the area over which the company exercises its rights to mine. The several mining leases to which I have already referred and which are the basis of the company's operations in Bophuthatswana, are registered in the name of the President as a single mining proposition.

In March of this year I announced to shareholders that legal proceedings had been instituted by the Bafokeng Tribe in the Supreme Court of Bophuthatswana against Impala, the President and Government of Bophuthatswana. As I have mentioned, these proceedings were based upon the company's refusal in 1987 to accede to a demand made by representatives of the Bafokeng Tribe for disclosure of certain information relating to the company's mining operations which is considered by the company to be of a confidential nature. According to the company's legal advisers the only person entitled to demand any such information from the company is the President, as co-owner of the relevant mining leases, who himself had not sought any such information nor had he given approval to the company to accede to the demands made by the Tribe.

Dissatisfaction on the part of the Bafokeng Tribe emerged in the course of discussions for the acquisition of prospecting rights over further properties in Bophuthatswana in adjacent living lease areas, commonly referred to as the 'Deeps'. These further properties were seen as a logical extension to the existing mining lease area, and the possibility of their being added to the lease area at some stage was contemplated by the company from the time when mining activities first commenced in 1968. In 1980 discussions to that end were initiated by the company first with the Government authorities in Bophuthatswana and later, because of its manifest interest, with representatives of the Bafokeng Tribe. These discussions continued for several years until late 1985, when they were interrupted by dissatisfaction expressed by the Chief of the Bafokeng Tribe over the necessity for a proposed prospecting and mining agreement in respect of the Deeps to be executed by the President of Bophuthatswana, the registered owner of the properties in question, and over the method of calculation of royalties accruing to the Tribe in respect of mining operations. The royalty issue was settled. Thereafter attempts to revive discussions in respect of the Deeps were thwarted by demands from the Tribe for the disclosure of the confidential information to which I have already referred, which the company found itself unable to meet. This led to the current litigation.

The Bafokeng Tribe's action against the company and the President of Bophuthatswana seeks to deny the company the right to continue mining operations over the properties registered in the name of the President, as the registered owner, may be entitled to exercise, leaving the Tribe free to mine the various prospecting properties as it may choose. It is a matter of regret that the Bafokeng Tribe should have chosen to pursue a course of confrontation rather than to attempt to resolve matters by negotiation amongst the parties concerned which the company has at all times been willing to do.

Our legal advisers remain confident that the proceedings can be successfully disposed. Moreover, I believe that the Tribe's court application may yet provide a path for the resolution of the issues which have adversely affected our relations with the Tribe. With these issues out of the way our operations could proceed on a more satisfactory basis to the advantage of all parties.

As the litigation is proceeding, further detailed comment is inappropriate at this stage.

OUTLOOK

The firm market price levels for the major products which have been achieved in the financial year under review could prevail for some time, as supply and demand predictions appear to point to the likelihood of supply deficits for these commodities in the coming year.

Supplies of platinum from primary sources in the Western world are likely to remain at current levels during the next financial year, with little or no contribution likely from the various new platinum mining developments announced in the past year or so. Secondary supplies and Russian sales to the West will probably also make a similar contribution to total supplies as last year, but only if prices hold up at present levels.

Financial demand for platinum is expected to remain at a similar level to that attained in the last financial year. The factor which is likely to influence the supply/demand balance the most in the twelve months to June 30, 1989, is investment and speculative demand for physical metal. Currency relationships and other key economic factors are expected to continue to be a major investor buying, although perhaps at a lower rate than the dramatic levels experienced in Japan in the first half of 1988. The outcome will be a supply deficit in the coming year, with resultant support for the price at present levels.

The investments we have made in opening up new reef face at Impala's mining operations and in the development of the Karee mine have strengthened the long term future of Impala in platinum, the offer to acquire a controlling interest in Messina, which we anticipate will be finalised shortly, and our exploration of new platinum areas, should add further to the reserve potential of the group.

In the coming year we will continue to investigate opportunities for extending our operations in order to increase our flexibility still further.

DIRECTORATE

Mr. Arthur Joynt resigned from the board in May this year after serving nine years as a director. I would like to take this opportunity of thanking him for the significant contribution he has made to the company's marketing efforts over a period of nearly 20 years.

I welcome the appointment of Mr. Colin Officer as deputy chairman of the company.

ACKNOWLEDGEMENTS

On behalf of the board, I would like to thank the management and staff of all the operating units and at head office and in our subsidiary and associated companies, together with our consulting engineers, for their loyal and efficient service during a successful year.

We also thank our customers for their continued support.

SPELLIS

Johannesburg
14 September 1988.

Copies of the Annual Report may be obtained from the London Transfer Secretaries, 6 Greencoat Place, London SW1P 1PL.

UK COMPANY NEWS

Anglia Secure rights for £4.3m acquisition

By Andrew Hill

ANGLIA SECURE HOMES, specialist developer of private retirement housing, is expanding into south-east England with the £4.3m acquisition of Alfred McAlpine Retirement Homes from the quarrying, construction and housebuilding group. The acquisition is to be funded by a two-for-five rights issue, raising about £21.6m before expenses.

Anglia also forecast pre-tax profits of £7.5m for the year ending today, 92 per cent up on the previous year's £3.9m.

Of the 6m new ordinary shares to be issued, some 1.19m will be placed with Alfred McAlpine and then offered to shareholders on the vendor's

behalf. The fully underwritten issue price is 90p a share against yesterday's closing price of 85p, up 12p. British & Commonwealth Holdings, financial services group which has 23.7 per cent of Anglia, is to take up its full entitlement.

Mr Peter Edmondson, Anglia's chairman, said yesterday: "We have bought it at a bargain price. The product is very high-quality - it matches our own. But the management team has been totally frustrated with the lack of resources and lack of commitment to the division."

Anglia, which claims to be the UK's second largest developer and manager of retire-

ment homes after McCarthy & Stone, intends to retain McAlpine's management in Sevenoaks as part of a new south-eastern division.

The cash raised by the rights issue will also be used to repay McAlpine Retirement's intra-group debt of about £5.4m and the balance will help reduce Anglia's gearing from 124 per cent to about 28 per cent.

McAlpine Retirement is currently developing and selling 131 units, against Anglia's 400, and a further 201 are planned for the next two years, compared with 1,600 from Anglia. In the year to October 31 1987, McAlpine Retirement built 119 units and made pre-tax profits of £985,000.

Mr Edmondson said he thought McAlpine Retirement, which makes gross margins of 20 per cent, should be able to match Anglia's 30 per cent.

Alfred McAlpine said the retirement homes sale would allow the group to expand its regional housebuilding and development activities. ● Alfred McAlpine is also selling Samic Builders Merchants to RMC Group, construction materials company.

Strong first half at Hay

ACQUISITIONS made a significant contribution to a strong first half at Norman Hay, and the company, which is involved in electrical plating and anodising, is on the look out for further purchases.

Taxable profits rose 48 per

cent in the six months to June 30 from £614,000 to £906,000 on turnover up 37 per cent from £5.71m to £7.81m. Earnings advanced to 3.8p (2.5p) and directors have raised the interim dividend to 0.66p (0.567p adjusted).

AGB Research in French buy

AGB Research, the market research group which has recommended a £134m takeover bid from Pergamon Professional and Financial Services, is to buy 50 per cent of a French-based software company for £24m in cash.

Novation was described yesterday by AGB as a leader in systems for the evaluation of new products and test markets. It had a long-established and productive relationship with AGB companies in Japan and Australia.

Dominion cuts stake

Dominion International has continued its move away from the oil industry into financial services with the sale of a further stake in Southwest Resources.

The company sold 6m shares through the market for about £1m, leaving it with 10.2m, representing 13.6 per cent of the capital.

Increased sales boost World of Leather

INCREASED sales, partly reflecting new store openings, enabled World of Leather, USM-quoted furniture retailer, to lift pre-tax profits from £175,000 to £281,000 in the six months to end-June.

The outcome - £71,000 more than the group managed in the whole of 1987 - was achieved on turnover 74 per cent ahead at £11.05m (£8.34m).

Earnings per 10p share were sharply higher at 6.8p (1.4p), and a maiden interim dividend of 0.8p is declared.

Colroy doubled to £2.6m

COLROY has more than doubled profits and earnings in its first set of results since flotation in June.

Taxable profits of this regional housebuilder rose from £1.06m to £2.6m in the year to July 31 and earnings per 10p share from 10.04p to 26.02p.

Tax took £870,000 (£388,000).

North West Exploration rejects Oliver

By Philip Coggan

North West Exploration yesterday formally rejected the £3.4m offer from Oliver Resources, a fellow exploration company. Both groups are quoted under the Stock Exchange's Rule 56(3).

Oliver launched its seven-for-two share offer last week. On the basis of last night's closing Oliver share price of 17p, the bid values each North West share at 89.5p, compared with its close of 56p. The North West board said the bid "substantially undervalued" the company.

Headlam up 23%

Headlam, Sims & Coggins, footwear manufacturer, reported pre-tax profits increased 23 per cent from £458,000 to £568,000 in the five months to end-June 1988.

Turnover was up at £10.76m (£10.18m). Earnings per 5p share worked through at 3.8p (3.1p) and directors are paying an interim dividend of 0.75p this time - the first such payment since 1985.

Jantar losses increase

LOSSES increased at Jantar, mining, metals and minerals trading company, in the six months to June 30.

The pre-tax loss of £24,376 was up from a £1,000 loss at the year-end and compared with a profit of £1,968 in the first half of 1987.

Investment income and interest receivable fell to

£16,200 (£57,394), but interest payable and similar charges were £72 (£13,635).

There was a \$9,648 loss on the disposal of investments. The loss per share came out at 0.6p (earnings 0.55p) before extraordinary items, which were nil this time and £107,138 credit last time.

Trafford Park expands by 11%

Pre-tax profits rose 11 per cent at Trafford Park Estates in the year to June 30 from £2.88m to

£3.21m. After tax of £1.02m (£946,000) earnings were 6.6p, against 5.8p previously.

Acquisitions boost British Fittings profit

First-time contributions from three acquisitions helped British Fittings Group raise pre-tax profits by 80 per cent from £1.25m to £2.25m in the six months to June 30. Turnover of the group, which provides equipment for heating engineers and plumbers, rose 85 per cent from £17.3m to £28.47m.

Harben Systems, Neolith Chemicals and Gill and Russell contributed £5.23m to sales and £609,000 to pre-tax profits.

The group's directors said trading since June 30 continued to show a satisfactory increase. They have declared an interim dividend of 1.135p (1.032p adjusted) on earnings per 30p share of 7.49p (6.5p).

CCA ahead

CCA Publications has reported pre-tax profits of £280,000 for the six months to June 30, against £209,000. Turnover was £4.57m, against £2.41m previously.

The USM-quoted company sells prints and sculptures, greeting cards and related Tax paid in the latest period was £109,000 (£73,000), after which earnings per 10p share came out at 1.7p (3.3p). The dividend is unchanged at 0.5p.

Ben Bailey

Ben Bailey Construction boosted taxable profits from £385,000 to £1.03m in the year to June 30. Turnover expanded to £13.24m (£8.55m). Earnings per 10p share worked through at 12.66p (5.3p) and a recommended dividend of 1.8p makes a total of 2.2p (1.2p) for the year.

PUBLIC WORKS LOAN BOARD RATES

Term	Rate based on 100%		Rate based on 75%	
	By 1991	By 1992	By 1991	By 1992
Over 1 up to 2	11	11	11 1/4	12
Over 2 up to 3	10 3/4	10 3/4	10 3/4	11 3/4
Over 3 up to 4	10 1/2	10 1/2	10 1/2	11 1/4
Over 4 up to 5	10 1/2	10 1/2	10 1/2	11 1/4
Over 5 up to 6	10 1/2	10 1/2	10 1/2	11
Over 6 up to 7	10 1/2	10 1/2	10 1/2	11
Over 7 up to 8	10 1/2	10 1/2	10 1/2	11
Over 8 up to 9	10 1/2	10 1/2	10 1/2	11
Over 9 up to 10	10 1/2	10 1/2	10 1/2	11
Over 10 up to 15	10 1/2	10 1/2	9 1/2	10 3/4
Over 15 up to 25	10	9 3/4	9 1/2	10 1/4
Over 25	9 1/2	9 1/2	9 1/2	10

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ‡ Repayment by half-yearly annuity based equal half-yearly payments to include principal and interest. § With half-yearly payments of interest only.

This announcement appears as a matter of record only

BAA plc

has acquired

Lynton Property & Reversionary plc

The undersigned acted for BAA plc in this transaction

DRIVERS JONAS
FINANCIAL SERVICES LIMITED.

September, 1988

DRIVERS
JONAS

THE PROPERTY MARKET

A diversity of strengths

By Paul Cheeseright, Property Correspondent

The trouble with Rosehaugh is that it has a label but the label does not fit. First reaction to the name is that it is a company which carries out mega-developments in the City of London; second that it is run by a chap called Bradman who makes dizzy financial deals; and third to link his name with Lipton at Stanhope.

All that is true to a degree. Last year it served well enough, producing an image sharp enough to satisfy a market craving for favourites, for more and bigger deals. This year it has not served so well in a market looking for solidity, more impressed with assets than deals.

The high point of the market's fascination with Rosehaugh last year was a share price of £11.75 and a low point after the October crash of 39p. This year the price has seen a high of 79p and a low of 51p. Currently it is hovering around 63p with a capitalisation of around £430m. Given market sentiment and estimates of Rosehaugh's net asset value - 70p at Warbury Securities, the company's broker, but rather less at some others like Morgan Grenfell Securities which puts it at 66p - then arguably the present market price is not unreasonable.

The shares remain some of the most expensive in the sector on a price-earnings basis. The company's dividend policy is restrained and the yields are low. The shares are bought on the basis that they will rise in tandem with the growth of the company's assets.

It is at this stage that the question of labelling comes in. Rosehaugh is concerned primarily as Mr Paul Rivlin, a director, puts it "to create value by doing good quality development." The company sees itself neither as a trader nor as an investment company but as "slightly purist property developers" who want to be rated, not on the basis of earnings, but in terms of assets.

The fact that Rosehaugh looks so complicated, with a web of more than 150 subsidiaries and associates, and the popular curiosity about the grandiose side of the business, have combined to obscure the likely source of medium term asset growth.

The first point here is the question of the City of London and the degree of Rosehaugh's dependence on it. That is no doubt that the Broadgate project - 3.3m sq ft of offices - in a joint venture with Stanhope Properties and British Rail Property Board - remains of signal importance to the com-

pany. Estimates vary and get chancier the longer the time span, but Warburg Securities think it is worth 400p a share by 1991.

Again, the development with Greycourt near by at Finsbury Avenue, which first brought Rosehaugh to prominence, is also important.

But in the last annual report, for the year to June 1987, Rosehaugh Stanhope Developments and Rosehaugh Greycourt Estates, the two vehicles for by far the greater part of Rosehaugh's City involvement, accounted for under 30 per cent of the Rosehaugh shareholders' funds.

As Broadgate lets and the new phases come through, the exposure of Rosehaugh is being reduced. Indeed, the balance not only of Rosehaugh's activities, but also those of Rosehaugh Stanhope Developments, is beginning to shift.

To take the joint venture first, the nearest thing to a major City project that it has is related to the redevelopment of Holborn Viaduct, called Ludgate. But the land assembly programme there has not yet been completed. The shift in the joint venture's activities is more towards London Docklands, where the biggest and probably riskiest venture is in the Royal Docks, and, of

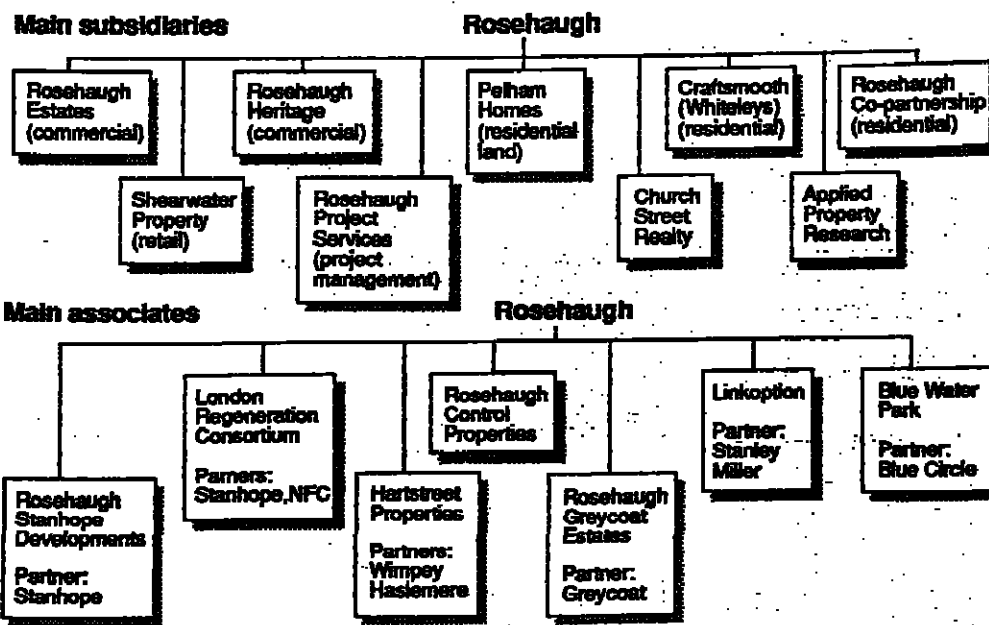
course, towards King's Cross. For Rosehaugh itself, the spread of activities is wider, both in terms of the nature of its developments and where they are taking place. The chart gives some flavour of that, indicating that through Felham Homes and Rosehaugh Co-partnership, there is a strong residential arm, and through Shearwater, a strong presence in the retail sector.

"The largest contributors to profitability are the on-going activities of the development subsidiaries and particularly the sales of developed land by Felham Homes," says Mr Rivlin.

The extent of this diversity and the speed with which it has taken place - largely over the last three years - has meant that the role of Mr Godfrey Bradman, the chairman, is less than is often supposed. He does of course give the company its style, but he takes an immediate interest in only a few projects now.

But the size of the company, with a staff of about 300, necessarily involves several layers of decision-making. Development subsidiaries find their projects, work them up and only then put them up to board level for approval. Once approval is given, it is up to the subsidiary to make the

ROSEHAUGH



Godfrey Bradman

A further effect of the diversity is the range of financing techniques. Rosehaugh is best known for its use of off-balance sheet financing, where borrowing is secured against a project or a phase of a project and Rosehaugh itself is not liable. This form of financing is, in fact, restricted to joint ventures, notably Rosehaugh Stanhope Developments at Broadgate where over £1m has been raised and there is more to come. It is also being used at

Clifford Hundred, West Thurrock, Essex, where Felham Homes has 40 per cent of one of Britain's biggest housing and community developments. Financing has just been arranged by Midland Bank.

Rosehaugh itself employs the orthodox range of financing for its own projects, on the balance sheet. It engages, for example, in the forward selling of projects. Shearwater has done precisely this with a shopping centre - at Kendal, Cumbria, to the Shell Pension Fund.

At the end of the June 1987 financial year, Rosehaugh was in a cash positive position. There had been a £58.5m rights issue in 1986 and a disguised rights issue in March of £25.7m when General Funds Investment Trust was bought. During the current year Rosehaugh set up its first £100m multi-option facility, part of which has been drawn down. The next accounts will show some net debt.

In a wider context, the growth of Rosehaugh has increased the range of choices available to meet its growing capital needs. Another rights issue does not appear to be on the cards. It is more likely to pursue the possibilities of partnerships with, say, Japanese institutions. It is aware that it could do more with British institutions anxious to build up their property interests. It will be exploring more extensive use of the securities market, opening up the possibility of more debenture issues.

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M11 PROPERTY The Financial Times proposes to publish this survey on FRIDAY 4TH NOVEMBER 1988 For a full editorial synopsis and details of available advertisement positions, please contact JONATHAN WALLIS on 01-236-2825



COMPANY NOTICES

PIRELLI U.K. INTERNATIONAL FINANCE B.V. £ 40,000,000 Guaranteed 7 1/2 % Convertible Bonds due 2000

In accordance with condition 11(A) (b) (i) of the first schedule of the Trust Deed for the above mentioned convertible Bonds, notice is hereby given to the Bondholders that the Annual General Meeting of the Shareholders of Pirelli S.p.A. will be held in Milan on November 11th and 12th, 1988.

Pirelli S.p.A., Milan

FIDELITY WORLD FUND Société d'Investissement à Capital Variable Luxembourg, 13 Boulevard de la Foire R.C. Luxembourg B 9487

DIVIDEND NOTICE At the Annual General Meeting held on September 27, 1988 it was decided to pay a dividend of US \$ 0.08 (eight cents) per share on or before October 21, 1988 to shareholders of record on October 4, 1988 and to holders of bearer shares upon presentation of coupon No. 15.

Paying Agent: FIDELITY INTERNATIONAL (EU) LIMITED 21, Esplanade de l'Indépendance, Luxembourg

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION NO. 008258 OF 1988 IN THE MATTER OF HAZLEWOOD FOODS PUBLIC LIMITED COMPANY and IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 2nd September 1988 presented to Her Majesty's High Court of Justice for the winding up of the above named Company by the order of the Court.

AND NOTICE IS FURTHER GIVEN that the said Petitioner is directed to be heard before the Honorable Mr. Justice Hoffmann at the Royal Courts of Justice, Strand, London, W2CA 2LL on Monday 7th day of October 1988.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order of the winding up of the said Company should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person applying the same by the undersigned Solicitors on payment of the regulated charge for the same.

Dated this 28th day of September 1988

Calvin Easton 1879 Southampton Place London WC2A 2LJ

Tel: 01 494 4991 Solicitors for the above named Company

COMPANY NOTICES

REPUBLIC OF ITALY ECU 300,000,000 Floating Rate Notes due 1992

In accordance with the terms and conditions of the Notes, notice is hereby given that for the 3 months period from September 30, 1988 to December 30, 1988, the Notes will carry an interest of 7 1/2 % per annum (margin included).

The relevant interest payment date will be December 30, 1988 and the coupon amount per ECU 100,000 nominal will be ECU 187.50 and per ECU 100,000 nominal will be ECU 187.50.

Benque Générale de Luxembourg S.A. Agent Bank

Re: A/S JYSKE BANK USD 40,000,000 Floating Rate Notes due 1994

In accordance with the terms and conditions of the notes, notice is hereby given that for the 3 months period from April 30, 1988 to October 31, 1988 the coupon amount per USD 10,000 will be USD 250.00 and per USD 250,000 will be USD 12,500.25.

Benque Générale de Luxembourg S.A. Reference Agent

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN PIONEER ELECTRONIC CORPORATION.

Public Notice of Record Date Notice is hereby given that, pursuant to the provisions of Article 10 of the Articles of Incorporation of the Company, any shareholder who is entitled to exercise the rights of a shareholder at the 42nd Ordinary General Meeting of Shareholders to be held in December, 1988.

It is to be added that dividends on shares will be paid to the shareholders or registered assignees named on the register of shareholders of common stock as of the end of the same day.

Pioneer Electronic Corporation, -1, Magenta 1-Chone, Negoro-Ku, Tokyo

Depository: The Bank of Tokyo International Limited, London

Agent: The Bank of Tokyo Luxembourg SA, Luxembourg

30 September 1988

CITY OF MONTREAL 3% PERMANENT DEBTURE STOCK NOTICE IS HEREBY GIVEN that the Registrar will be closed from 17 October to 31 October 1988 both dates inclusive.

THE ROYAL BANK OF CANADA plc THE REGISTRAR

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UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

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In Proceedings For a Reorganization Under Chapter 11 Case Nos. 87 B 11228 Through 87 B 11242 Inclusive (BRL)

NOTICE OF HEARING TO CONSIDER APPROVAL OF PURCHASE AGREEMENT WITH ITT CORPORATION AND ITT INDUSTRIES OF CANADA, LTD. FOR SALE OF PUMP BUSINESS

TO ALL CREDITORS OF ALLIS-CHALMERS CORPORATION, ET AL. AND OTHER PARTIES IN INTEREST HEREIN: PLEASE TAKE NOTICE that on October 11, 1988, in Courtroom 825 of The Old Customs House, One Bowling Green, New York, New York 10004-1408 at 10:00 o'clock in the forenoon of that day, a hearing will be held before the Honorable Burton R. Lifland, United States Bankruptcy Judge, to consider upon the application of Allis-Chalmers Corporation ("A-C"), for and on behalf of itself and the other debtors and debtors in possession herein ("Debtors"), dated September 21, 1988 (the "Application") the entry of an order:

(a) Authorizing A-C pursuant to 11 U.S.C. Sections 363(b) and (f), to sell (or, as the case may be, to cause its direct or indirect subsidiaries to sell) the Assets and transfer the Liabilities (each as defined in the Purchase Agreement (the "Purchase Agreement") dated as of June 21, 1988 among A-C, Allis-Chalmers Pump, Inc., debtor and debtor in possession ("Pump"), Allis-Chalmers Canada, Inc. ("A-C Canada"), A-C, Pump and A-C Canada, as hereinafter referred to collectively as the "Sellers"), ITT Corporation ("ITT") and ITT Industries of Canada, Ltd. ("ITT Canada") (ITT and ITT Canada are referred to together as the "Purchasers"), true and lawful assignees, security interest holders, chargeholders, lienholders, and other creditors of the Debtors, and

(b) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

(c) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

(d) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

(e) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

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(i) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

(j) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

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(v) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

(w) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

(x) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

(y) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

(z) Approving the Purchase Agreement (or any other purchase agreement proposed in connection with a Competitive Bid) in its entirety and all of its terms and authorizing their performance thereunder by A-C and its affiliates;

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Objections to the Sale of the Business PLEASE TAKE FURTHER NOTICE that the Debtors, in their capacity as debtors in possession, have filed with the Court a proposed plan of reorganization (the "Plan") and a proposed purchase agreement (the "Purchase Agreement") for the sale of the Business to the Purchasers.

CUSHMAN & WAKEFIELD A ROCKEFELLER GROUP COMPANY For further information, please call Stephen R. Siegel, Chairman Thomas V. Remington, Senior Vice President 212-941-7599

ORLANDO FLORIDA Major U.S. corporation liquidating assets. 1295 acres citrus groves and raw land. 15 minutes Disneyworld. Potential for sub division and breakup. For sale \$4.5 m. Enquiries to Pearsons London 30 Dover Street, Mayfair, London W1X 4BX Tel 01-499 2104

HONG KONG AS A FINANCIAL CENTRE The Financial Times proposes to publish this survey on 26th OCTOBER 1988. For a full editorial synopsis and advertisement details, please contact PETER HIGGLAND on 01-248 8000 ext 3995 or write to him at: Bracken House, 10 Cannon Street London EC4P 4BY

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trst Mgrs Ltd, Aegis Unit Trst Mgrs Ltd, and others, with columns for name, manager, and other details.

Table listing unit trusts under the heading 'ASSET UNIT TRUST MANAGERS LTD', including details like '117 Fenchurch St, London EC3A 3DF'.

Table listing unit trusts under the heading 'FIS INVESTMENT MANAGERS LTD', including details like '150 West George St, London EC2A 3DF'.

Table listing unit trusts under the heading 'M & G SECURITIES CO', including details like '25 Abchurch Lane, London EC4A 3DF'.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IGI0.

CROSSWORD

Crossword puzzle grid with clues. Clues include: '1 Bill's penny metal washer', '4 Riff raff of former times were topped here', etc.

Table listing unit trusts under the heading 'CONSISTENT UNIT TRST MGRS LTD', including details like '117 Fenchurch St, London EC3A 3DF'.

Table listing unit trusts under the heading 'CROWN UNIT TRST MANAGERS LTD', including details like '117 Fenchurch St, London EC3A 3DF'.

Table listing unit trusts under the heading 'CROSSBOND UNIT TRST MANAGERS LTD', including details like '117 Fenchurch St, London EC3A 3DF'.

Down clues for the crossword puzzle: '1 Plot against the master in which one's involved', '2 Contemptible one; I libate drunkenly', etc.

Table listing unit trusts under the heading 'DUNDEE UNIT TRST MANAGERS LTD', including details like '117 Fenchurch St, London EC3A 3DF'.

Table listing unit trusts under the heading 'EMILY & LAW UNIT TRST MANAGERS LTD', including details like '117 Fenchurch St, London EC3A 3DF'.

Table listing unit trusts under the heading 'EQUITABLE UNIT TRST MANAGERS LTD', including details like '117 Fenchurch St, London EC3A 3DF'.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust information pages is included to improve the service to readers and to conform with new legislation. INITIAL CHARGES: These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

Handwritten signature or note at the bottom of the page.

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts with columns for Name, Investment Objective, and other details.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds listing various international investment vehicles.

LONDON SHARE SERVICE

Table of London Share Service listing various British and Foreign Funds, including sections for British Funds, Foreign Bonds & Rails, and Americans.

Table of Money Market Trust Funds listing various short-term investment vehicles.

Table of Money Market Bank Accounts listing various banking services and interest rates.

Handwritten signature 'Johnnie Lito' in a box.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention fears hold dollar

THE DOLLAR finished slightly firmer in currency markets yesterday, but trading volume was restricted by proximity of the month, quarter and financial half-year end.

also higher against the Japanese yen at Y134.35 from Y134.20. Elsewhere it finished at SFr1.5630 from SFr1.5600 and FFfr6.4050 compared with FFfr6.3925.

from Wednesday's close at DM4.1675. It was slightly down on the yen at Y226.00 from Y226.25 and \$1.6825 compared with \$1.6865.

The West German Bundesbank was seen asking for quotations in Hong Kong and Singapore, before the start of business in Europe, and although there was no sign of actual intervention, traders suggested that central banks are likely to intervene when the dollar starts to approach the DM1.8500-1.8500 range.

Despite concern about intervention, the dollar managed to edge a little firmer during the day. Investors appeared keen to buy the dollar, but were looking for a good excuse, and this was provided by news that the Soviet Communist Party is holding an emergency meeting of the central committee in Moscow today.

The dollar edged up to a high of DM1.8445, but failed to sustain this level. It finished at DM1.8820, still up from DM1.8790 on Wednesday. It was

FINANCIAL FUTURES

Active start for German bonds

WEST GERMAN Government bond futures were active on their first trading day on Liffe. Total volume was around 9,000 contracts, with most attention focused on December delivery.

are looking for regular daily volume to settle at between 2,000 and 5,000 contracts after two or three months.

This will be a considerable improvement over the Japanese Government bond however, which recorded 416 trades yesterday, the highest volume this week.

Table with columns: Series, Vol, Last, etc. for Liffe Long Gilt Futures Options.

Table with columns: Series, Vol, Last, etc. for Liffe US Treasury Bond Futures Options.

Table with columns: Series, Vol, Last, etc. for Liffe FTSE Index Futures Options.

Table with columns: Series, Vol, Last, etc. for Liffe US Options.

Table with columns: Series, Vol, Last, etc. for Liffe Eurodollar Options.

Table with columns: Series, Vol, Last, etc. for Liffe Short Sterling.

Table with columns: Series, Vol, Last, etc. for Philadelphia Gilt Futures Options.

Table with columns: Series, Vol, Last, etc. for London 91/92 Options.

Table with columns: Series, Vol, Last, etc. for London 91/92 Options.

EUROPEAN OPTIONS EXCHANGE

Large table with multiple columns showing various European options data including series, volume, and prices.

£ IN NEW YORK

Table showing exchange rates for £ in New York for various currencies.

STERLING INDEX

Table showing the Sterling Index for various currencies and time periods.

CURRENCY RATES

Table showing currency rates for various countries like Australia, Canada, etc.

CURRENCY MOVEMENTS

Table showing currency movements and percentage changes for various currencies.

OTHER CURRENCIES

Table showing exchange rates for other currencies like Argentina, Brazil, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

LONDON (LIFFE)

Table showing Liffe market data for London.

CHICAGO

Table showing market data for Chicago.

U.S. TREASURY BILLS (END)

Table showing U.S. Treasury Bills data.

U.S. TREASURY BILLS (END)

Table showing U.S. Treasury Bills data.

U.S. TREASURY BILLS (END)

Table showing U.S. Treasury Bills data.

U.S. TREASURY BILLS (END)

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U.S. TREASURY BILLS (END)

Table showing U.S. Treasury Bills data.

U.S. TREASURY BILLS (END)

Table showing U.S. Treasury Bills data.

U.S. TREASURY BILLS (END)

Table showing U.S. Treasury Bills data.

MONEY MARKETS

London rates ease

A FIRM pound, and fading fears of higher UK bank rates, led to a decline of interest rates on the London money market yesterday.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing rates for various currencies.

MONEY RATES

Table showing money rates for various currencies and time periods.

LONDON MONEY RATES

Table showing London money rates for various currencies.

LONDON MONEY RATES

Table showing London money rates for various currencies.

Large advertisement for Federal Farm Credit Banks Consolidated Systemwide Bonds, featuring interest rates and bond details.

Handwritten signature or note at the bottom of the page.

LONDON STOCK EXCHANGE

Special situations dominate market

IT WAS a day of bid speculation in London yesterday, with leading blue chip issues recording only moderate turnover until Wall Street opened firmly...

Account Opening Dates: First Opening Oct 2, Oct 17, Second Opening Oct 13, Oct 27, Last Opening Oct 14, Oct 28...

news today that the UK authorities will allow the Kuwait Investment Office to hold on to most of its 22 per cent stake. Speculative bids hit a "cyclone" of demand...

disappointment at the absence of a bid move, however, believes "The Allied drama was but one of several airted out in the market place. Consolidated Gold Fields advanced to 13 1/4...

with the Season group of Japan regarding the sale of the Inter-Continental Hotels subsidiary, for which Grand Met expects to net £1.5m...

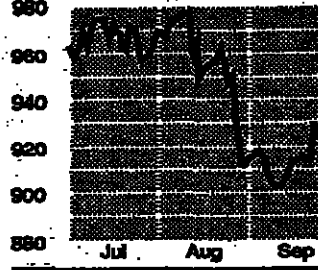
FINANCIAL TIMES STOCK INDICES

Table with columns for Government Secs, Fixed Interest, Ordinary, Gold Mines, Ord. Div. Yield, Earning Yld (%), P/E Ratio, etc. Includes S.E. ACTIVITY section with indices for Gilt Edged Bargains, Equity Bargains, etc.

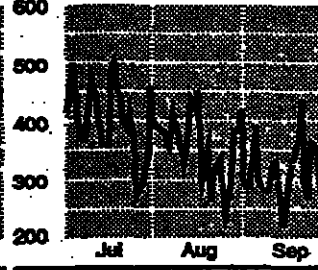
Bond's holding unveiled

Bond Corporation is now the owner of some 11.08 per cent of Allied-Lyons. Late yesterday, the latter confirmed that the Australian group had increased its stake from 7 per cent without explanation...

FT-A All-Share Index



Equity Shares Traded



anti-Aids drug Pentamidine. The early dealings, rising to 145p before settling up 7 on the day at 142p. Talk of a possible change in management and vague takeover suggestions were behind the initial flurry of activity...

Among the current speculative favourites, takeover talk centred in Metal Box, up 3 further at 255p in a turnover of around 5.5m. Reed International improved fresh to close 6 1/2 dearer at 424p...

TRADING VOLUME IN MAJOR STOCKS

Table listing trading volume for major stocks including Anglo, BHP, British Airways, etc. with columns for Volume, Price, and % Change.

years to be +7.9 per cent and +16 per cent while that of Telecom to be +10.5 per cent and +9.5 per cent. Telecom is trading on a prospective p/e of 9.1 times and yield of 0.8 per cent...

T.Rentals demand

Telephones Rentals (TR), where Cable & Wireless (C&W) are bidding 306p a share, made further strong progress on buying stimulated by Press comment suggesting that C & W will have to increase their offer to at least 375p a share...

has hung over the oil sector since the referral. BP "old" shares, where turnover expanded to 6m shares, settled 4 higher at 246p, and the "new" 5 up at 146 1/2p on turnover of 7.5m...

Enterprise Oil surged ahead to close 48 higher at 655p, after touching 700p, with the story here suggesting progress on buying stimulated by Press comment suggesting that C & W will have to increase their offer...

The clearing banks staged another major advance in active trading - there has been big buying of the sector on the back of a number of recently issued bullish brokers circulars, and there is talk of more in the pipeline...

US and European stakebuilding, market stories cover both Rowell of America and Siemens of West Germany, lifted Lucas Industries 7 further to 594p.

A Morgan Grenfell buy recommendation "for strong growth in amount and quality of earnings, with an exceptional dividend yield" boosted shares of LIT Holdings 10 to 140p.

exaggerated, and that the market rating will adjust to reflect. Turnover in traded options was down on Wednesday's levels but remained at relatively high levels.

County forecasts earnings growth of Gas over the next two years at +12 per cent followed by +14.5 per cent. Earnings growth at Telecom is expected to be +13 per cent followed by +9 per cent.

BP were particularly active and rose strongly amid market rumours that the Kuwait Investment Office plans in BP around 22 per cent, would be allowed to stand, thereby removing the major cloud that

Clax made most of the running in what was described as another "good day" in the international stocks. Volume built up in the shares as US buyers showed a keen interest.

Shares in Mountleigh, the property group, which have languished around the year's low point for some while amid concern about the health of Mr Tony Clegg, chairman and managing director of the company, moved to the forefront in

Speculative interest in food manufacturing and kindred issues followed Grand Metropolitan's admission that it is talking to a Japanese group regarding the sale of Inter-Continental Hotels.

In hotels, Trusthouse Forte closed 4 1/2p up at 269 1/2p in brisk turnover, driven by takeover hopes that a European consortium is being put together to acquire the UK hotel group.

Continuing speculation of a Japanese group regarding the sale of Inter-Continental Hotels. Cadbury Schweppes, seen as a possible target for Grand Met, jumped 9 to 384p.

Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

NEW HIGHS AND LOWS FOR 1988

Table listing new highs and lows for 1988 for various companies like Anglo, BHP, British Airways, etc.

APPOINTMENTS

Chairman of Ernst & Whinney

Mr Elwyn Killeedge has become chairman of ERNST & WHINNEY INTERNATIONAL, the international firm of accountants. He continues to be senior partner of the UK firm. Mr Killeedge became a partner in 1972. He moved up to managing partner of the London office in 1983 and was made senior partner of the UK firm in 1986.

Mr Adrian Sellers has been appointed sales director of SWAN HUNTER SHIPBUILDERS. He joins from GEC in Rugby.

Mr John Grumber has been appointed London managing partner of EGON ZEHNDER INTERNATIONAL. He succeeds Mr Mark Weedon, who will be launching Corporate Community Consultants.

EGERTON TRUST has made the following changes: Mr Samuel T. Wright becomes deputy chairman whilst retaining full operational responsibility for all American activities as president of Egerton Inc. Mr Bill Esplen is made managing director-finance with responsibility for the new financial services activities within the group, as well as group corporate finance.

Mr Elwyn Killeedge, chairman of Ernst & Whinney International.

Mr Jim Davis, chairman of DFDS (UK), has been appointed the first chairman of BRITISH RAILWAYS Anglo regional board.

Mr Philip Dewar has been appointed managing director (subsidiary operations) for NORWICH AND PETERBOROUGH BUILDING SOCIETY. He joins from ISB England & Wales, where he was assistant to the managing director.

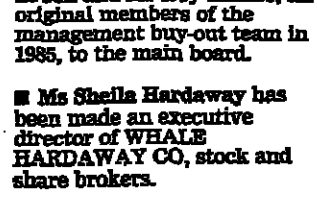
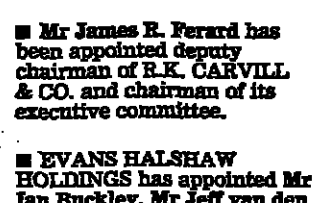
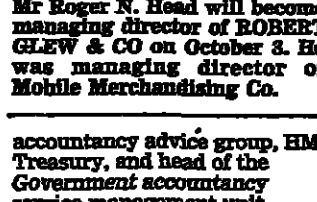
Mr John Hartley, a director of SIMON ENGINEERING, is retiring on October 14. His responsibilities for the merchandising and storage group will be taken over by Mr Peter Cook, managing director of Simon's services division.

Mr Roger N. Head will become managing director of ROBERT GLEW & CO on October 3. He was managing director of Mobile Merchandising Co.

Mr James R. Ferrard has been appointed deputy chairman of R.K. GARVILL & CO, and chairman of its executive committee.

Mr Evans Halshaw Holdings has appointed Mr Ian Buckley, Mr Jeff van den Broek and Mr Roy Kishor, all original members of the management buy-out team in 1986, to the main board.

Ms Sheila Hardaway has been made an executive director of WHALE HARDWAY CO, stock and share brokers.



DISBANK Turkish Dis Ticaret Bankasi Turkish Foreign Trade Bank. U.S. \$ 60,000,000 Export Financing Facility. U.S. \$ 12,500,000 5 year tranche provided by International Finance Corporation. U.S. \$ 47,500,000 57 month, 39 month and 27 month tranches provided through International Finance Corporation participations by...

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for High, Low, Stock, Price, Div, and YTD %.

CANADIANS

Table listing Canadian stocks with columns for High, Low, Stock, Price, Div, and YTD %.

BANKS, HP & LEASING

Table listing bank and leasing stocks with columns for High, Low, Stock, Price, Div, and YTD %.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and roads stocks with columns for High, Low, Stock, Price, Div, and YTD %.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for High, Low, Stock, Price, Div, and YTD %.

DRAPERY AND STORES

Table listing drapery and stores stocks with columns for High, Low, Stock, Price, Div, and YTD %.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads stocks with columns for High, Low, Stock, Price, Div, and YTD %.

ELECTRICALS

Table listing electrical stocks with columns for High, Low, Stock, Price, Div, and YTD %.

ENGINEERING

Table listing engineering stocks with columns for High, Low, Stock, Price, Div, and YTD %.

ENGINEERING

Table listing engineering stocks with columns for High, Low, Stock, Price, Div, and YTD %.

ENGINEERING - Contd

Table listing engineering stocks with columns for High, Low, Stock, Price, Div, and YTD %.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other stocks with columns for High, Low, Stock, Price, Div, and YTD %.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for High, Low, Stock, Price, Div, and YTD %.

INDUSTRIALS (Misc.) - Contd

Table listing industrial stocks with columns for High, Low, Stock, Price, Div, and YTD %.

INDUSTRIALS (Misc.)

Table listing industrial stocks with columns for High, Low, Stock, Price, Div, and YTD %.

INDUSTRIALS (Misc.)

Table listing industrial stocks with columns for High, Low, Stock, Price, Div, and YTD %.

INDUSTRIALS (Misc.) - Contd

Table listing industrial stocks with columns for High, Low, Stock, Price, Div, and YTD %.

INSURANCES

Table listing insurance stocks with columns for High, Low, Stock, Price, Div, and YTD %.

LEISURE

Table listing leisure stocks with columns for High, Low, Stock, Price, Div, and YTD %.

Handwritten signature or mark at the bottom center of the page.

LONDON SHARE SERVICE

Johnnie Lito

LEISURE - Contd

Table of stock prices for Leisure sector including companies like British Skyways, British Airways, and others.

PROPERTY

Table of stock prices for Property sector including companies like British Land, Land Securities, and others.

TEXTILES - Contd

Table of stock prices for Textiles sector including companies like British Textiles, and others.

TRUSTS, FINANCE, LAND - Contd

Table of stock prices for Trusts, Finance, and Land sectors including various investment trusts and financial institutions.

OIL AND GAS - Contd

Table of stock prices for Oil and Gas sector including companies like British Petroleum, Shell, and others.

MINES - Contd

Table of stock prices for Mines sector including companies like Anglo American, De Beers, and others.

MOTORS, AIRCRAFT TRADES

Table of stock prices for Motors and Aircraft Trades sectors including companies like British Leyland, and others.

TOBACCO

Table of stock prices for Tobacco sector including companies like British American Tobacco.

TRUSTS, FINANCE, LAND

Table of stock prices for Trusts, Finance, and Land sectors including various investment trusts and financial institutions.

OVERSEAS TRADERS

Table of stock prices for Overseas Traders sector including companies like Anglo Siam, and others.

PLANTATIONS

Table of stock prices for Plantations sector including companies like Guthrie & Co, and others.

MISCELLANEOUS

Table of stock prices for Miscellaneous sector including various other companies.

COMMERCIAL VEHICLES

Table of stock prices for Commercial Vehicles sector including companies like Leyland DAF.

TRUSTS, FINANCE, LAND

Table of stock prices for Trusts, Finance, and Land sectors including various investment trusts and financial institutions.

FINANCE, LAND, ETC

Table of stock prices for Finance, Land, and other sectors including various financial institutions.

MINES

Table of stock prices for Mines sector including companies like Anglo American, De Beers, and others.

MINES

Table of stock prices for Mines sector including companies like Anglo American, De Beers, and others.

THIRD MARKET

Table of stock prices for Third Market sector including companies listed on the London Stock Exchange.

NEWSPAPERS, PUBLISHERS

Table of stock prices for Newspapers and Publishers sector including companies like News International.

SHIPPING

Table of stock prices for Shipping sector including companies like British Skyways, and others.

OIL AND GAS

Table of stock prices for Oil and Gas sector including companies like British Petroleum, Shell, and others.

FINANCE

Table of stock prices for Finance sector including various financial institutions.

FINANCE

Table of stock prices for Finance sector including various financial institutions.

REGIONAL & IRISH STOCKS

Table of stock prices for Regional and Irish Stocks including companies from various regions and Ireland.

PAPER, PRINTING, ADVERTISING

Table of stock prices for Paper, Printing, and Advertising sectors including companies like News International.

SHOES AND LEATHER

Table of stock prices for Shoes and Leather sector including companies like Clarks.

SOUTH AFRICANS

Table of stock prices for South African stocks including companies like Anglo American, De Beers.

TEXTILES

Table of stock prices for Textiles sector including companies like British Textiles.

TRADITIONAL OPTIONS

Table of traditional options including 3-month call rates for various sectors.

PROPERTY

Table of stock prices for Property sector including companies like British Land, Land Securities.

MISCELLANEOUS

Table of miscellaneous stock prices including various other companies.

A collection of options traded is given on the London Stock Exchange Report Page.

WORLD STOCK MARKETS

AUSTRIA table with columns for stock names and prices.

Belgium table with columns for stock names and prices.

France table with columns for stock names and prices.

Germany table with columns for stock names and prices.

Italy table with columns for stock names and prices.

Japan table with columns for stock names and prices.

Large table for Japan stock market with multiple columns.

Spain table with columns for stock names and prices.

Sweden table with columns for stock names and prices.

Switzerland table with columns for stock names and prices.

South Africa table with columns for stock names and prices.

USA table with columns for stock names and prices.

UK table with columns for stock names and prices.

Large table for USA stock market with multiple columns.

Canada table with columns for stock names and prices.

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Large table for Canada stock market with multiple columns.

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Large table for Canada stock market with multiple columns.

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Canada table with columns for stock names and prices.

Canada table with columns for stock names and prices.

Large table for Canada stock market with multiple columns.

CANADA

Large table for Canada stock market with multiple columns.

MONTREAL 4pm prices September 29

Table of Montreal stock prices for September 29.

INDICES

Table of various stock indices including Dow Jones, Nikkei, etc.

NEW YORK ACTIVE STOCKS

Table of active stock prices in New York.

CANADA

Table of Canadian stock prices.

NEW YORK ACTIVE STOCKS

Table of active stock prices in New York.

CANADA

Table of Canadian stock prices.

NEW YORK ACTIVE STOCKS

Table of active stock prices in New York.

CANADA

Table of Canadian stock prices.

NEW YORK ACTIVE STOCKS

Table of active stock prices in New York.

CANADA

Table of Canadian stock prices.

NEW YORK ACTIVE STOCKS

Table of active stock prices in New York.

Advertisement for F.T. hand delivered in Norway.

Advertisement for F.T. hand delivered in Belgium.

4pm prices September 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices, organized into columns with headers like 'High', 'Low', 'Open', 'Close', 'Change', and 'Volume'. Includes a 'Dow Jones Industrial Average' section at the top right.

SEUL CHOSE PHILIPS TELEVISION. SHOULD'N'T YOU DO THE SAME? PHILIPS. Official Sponsor of the Seoul Olympic Summer Games.

Handwritten note: 'Handwritten note or signature at the bottom center of the page.'

Justine Lita

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Close. Includes a 'Continued from previous page' note at the top left.

Notes explaining the data in the NYSE Composite Prices table, including details on high and low prices and dividend information.

OVER-THE-COUNTER

Market national market, 4pm prices September 29

Table of Over-the-Counter prices listing various stocks with columns for High, Low, and Close. Includes a 'Continued from previous page' note at the top left.

AMEX COMPOSITE PRICES

4pm prices September 29

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Close.

Advertisement for 'Travelling by air on business?' featuring the Financial Times logo and listing airlines such as Air Canada, American Airlines, British Airways, and others.

SECTION III

FINANCIAL TIMES SURVEY



Thanks to the solid foundations laid by the Peterborough Development Corporation, now

being wound up, Peterborough has an attractive environment for modern industry and commerce and is set fair for further, if gentler, growth. Stewart Dalby reports

Solid legacy for the future

PETERBOROUGH is about to be privatised. This does not mean that the general public is about to be offered shares at good discounted rates in a city which use to think of itself as part of the south Midlands but increasingly sees itself as part of the prosperous South-East.

What it does portend is that Peterborough is about to cease being a city run by the public sector. The Peterborough Development Corporation (PDC) which, by and large, has been responsible for the development of Peterborough for the past 20 years is being wound up and the Commission for New Towns is taking over with a brief to "realise" the Peterborough DC's assets.

These clever and funny advertisements featuring the late Roy Kinnear as a Roman legionnaire emphasising that Peterborough is very old and very attractive will be no more. But they have served their purpose. Most people in Britain have now heard of Peterborough even if they could not tell you where it is. More than that, the advertisements have subtly pointed out that Peterborough is not a "new" new town. The Roman advertisements were a little spurious in that the site of today's city was a minor settlement in Roman times. But the campaign made

the point that, unlike many of its rivals, Peterborough was grafting new towns and new industries on to an existing base.

Conveying a sense of the old is apparently important in attracting people; there is a reluctance to move to completely fresh sites. As one member of the Peterborough agency put it: "Living in Milton Keynes is like living on a pinked circuit board". Milton Keynes began in the 1960s as a greenfield site.

The centre of Peterborough today is delightful. There is a pedestrian walkway, of course, with the streets lined with estate agents and building societies. There is also a massive supermarket shopping complex, the Queensgate, complete with multi-story car park. These now seem staple features of most market towns in the south east of England.

But the heart of the town is dominated by the magnificent Norman cathedral, and has other lovely old buildings like the Guildhall market centre, and the City Hall. There are attractive cafés and restaurants in the city. This all adds to the quality of life which has been an importantly selling point for Peterborough.

All the people I spoke to, businessmen and their employ-



Peterborough city centre

Peterborough

ees and civil servants were unanimous in their view that the Corporation had done an "excellent" job. The Corporation itself is quick to point out that it has always had the enthusiastic cooperation of the City Council, even when, as now, the council has been hung.

When the Corporation really got going in the late 1970s Peterborough was an railway town of about 80,000, with something like 80 per cent of the workforce employed by four engineering and old manufacturing concerns. Unemployment was low but the prospects for these "metal bashing" industries in the 1970s was not good. As it turns out the engineering companies have survived and flourished, on a slimmed down basis. Perkins

Engines, which once employed over 10,000 people, now employs 3,500. It produces a greater range of diesel engines and has improved productivity threefold.

Similarly Peter Brotherhood which employed 1,800 people at the start of the decade now employs 400 people, but is far more productive in making steam turbines, gas compressors and special purpose machinery. Mr Philip Salisbury the managing director says productivity has increased from £15,000 sales per man a year in 1980 to £45,000 sales per man today.

To these older manufacturing concerns, however, have been added a large number of new enterprises, service companies many of them, but also some high tech companies. Mr

Ken Hutton, general manager of the PDC, estimates that some 500 companies have established themselves in Peterborough over the life of the Corporation. The population is now 136,000 or 154,000 depending on where you place the boundary. In its time, the Corporation has created 38,000 new jobs, of which 24,000 have survived into the exacting economic climate of the 1980s.

Unemployment, at under 8 per cent, is below the national average. At one time during the shakeout in the manufacturing sector, the jobless total went to over 13 per cent.

The PDC has been involved in virtually every aspect of development. It has bought and developed land, build roads, and other infrastructure. It was heavily involved in

developing the Ferry Meadow site, into a large water park and recreation area.

According to Peter Middleton, chief executive of Thomas Cook, however, the really clever thing the PDC did was build lots of houses (around 10,000) and offer them for rent. Thomas Cook was one of the Corporation's first big catches in the service sector. The company moved its UK headquarters to Peterborough in the mid 1970s over a period of years. Today it has over 2,000 employees in a self-contained complex which includes a bank, restaurants and sports facilities.

Mr Middleton says that relocating a company is very traumatic. It was vital that key employees move with the company. Thomas Cook managed

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Pictures by Alan Harper

to get one third of its then staff of 1,000 to move. And the fact that there was rented accommodation available was an important factor in persuading them to come.

There is a consensus that the Corporation's activities developed methodically and sensibly. It also looks ultimately to have operating profitably from the government's point of view. In the early days the Corporation had to lay large sums to get the infrastructure in place. Mr Hutton estimates that since the late 1960s, it has invested around £1bn of which at least £450m was public money. Latterly, however, money has been flowing in the other direction.

In the last full year (1978-88) the Development Corporation's income from its property portfolio totalled £88m - £17m from rents and £71m from disposals. (These figures exclude housing subsidies.) Expenditure totalled £33m of which £11m was on capital works. In the past, capital expenditure has reached £40m at present day prices.

When the Commission for New Towns comes to realise the assets it could garner up to £100m. This would include some 200 acres of industrial and commercial land and some 36 acres of housing land. There is also over 1,000 acres of agricultural land some of which might be developed one day.

What it would exclude is the stock of 6,000 houses currently being rented. Under a complex formula, these houses will eventually be acquired by the City Council and then some of them sold off in line with government policy.

The Commission has also handed over £10m worth of liabilities to the City Council in the form of, community centres, landscaping and activity centres for play/youth provisions. To operate and maintain these properties, the Commission is also transferring shops, offices and factories. The endowment covering these is expected to generate about £280,000 a year. As the Corporation winds up its operations, its job being seen as fulfilled, the question being asked is whether the town will continue to grow and attract more companies. There is no shortage of competition from other development areas to attract the

limited number of footloose companies available each year.

The Corporation will no longer exist, but a Peterborough Development Agency has been set up to keep priming the pump. Unlike the Corporation, the Agency will not be involved in development but will concern itself with promotion. At £500,000, its budget is only half of what the Corporation has spent. Mr Christopher Gibaud, the new director of the PDA, however is confident companies will continue to arrive.

He will be changing the campaign pitch. The Roman advertisements are to cease and he will be targeting property companies initially to try to persuade them to build factories and houses on spec.

He, like other members of the Corporation, feels that Peterborough has reached critical mass, that there is now a physical and commercial infrastructure which will be self-generating. Mr Hutton says: "For many years we were sellers in a buyers market. For the past two years we have been sellers in a sellers market. There are many companies who now want to come".

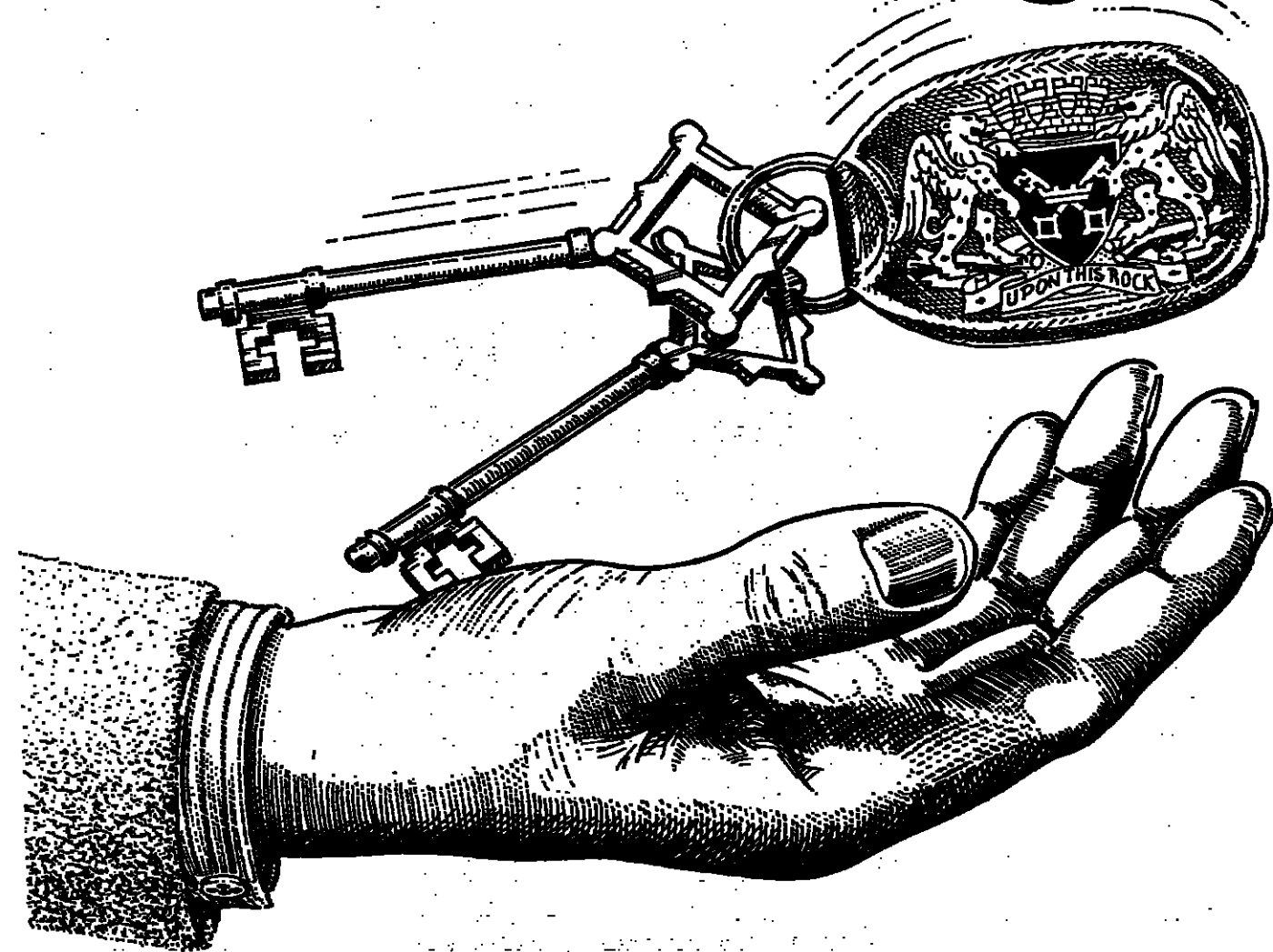
He sees proof of this in the fact that two large insurance groups, Royal Insurance and Pearl Insurance have decided to settle in Peterborough and build large complexes on greenfield sites in the business park. Pearl will be employing upwards of 2,000 people.

The legacy of the development corporation is substantial. "Peterborough has the roads, and infrastructure necessary to take it well into the next century," Mr Gibaud stresses. "There is plenty of commercial land available for expansion, and plenty of residential land if it comes to that".

Partly because of proximity to London - electrification of the east coast line means it takes 47 minutes to Kings Cross and is therefore commutable - house prices as elsewhere in the South-East have rocketed in the past 18 months. They are still at a discount to central London however, and prices in themselves should not be a problem for companies wanting to attract staff.

The city looks set fair for further growth if at possibly a gentler pace.

Peterborough Comes of Age.



In 1967, Peterborough, a market town centred on an ancient Roman site, was designated a New Town by the Government.

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This dramatic transformation was brought about through an enterprising partnership between Peterborough City Council, Cambridgeshire County Council and the Peterborough Development Corporation.

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On Saturday October 1st, the Corporation is succeeded by The Peterborough Development Agency. The Agency will continue to encourage more business and investment into the City.

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THE PETERBOROUGH EFFECT

For more information on how The Peterborough Effect can affect your business, contact Christopher Gibaud, Director, Peterborough Development Agency, Stuart House, Peterborough, PE1 1UJ. Telephone (0733) 558816.

PETERBOROUGH 2

The city is well placed and well established

London links a factor

YES, BUT why Peterborough? I constantly asked as I did my rounds of businessmen, employees and council officials in the town.

A consensus emerged on three points: good location, communications and quality of life.

If one refined the question, and asked why a company or an individual should relocate in Peterborough rather than, say, Cambridge, or towns on the M4 corridor such as Reading or Swindon, then the arguments needed tuning a bit: they usually centred on the disadvantages of the other possible sites, rather than the distinct advantages of Peterborough.

But attractions of its own the town does have. It has always been usefully sited on the main north-south railway line up to Edinburgh. Last year the line from Peterborough to London was electrified, and it became possible to get to London in 47 minutes. This made the town commutable.

There are now approaching 3,000 people a day travelling to

London and back. This compares with 500 people five years ago.

Even for those who have moved completely to Peterborough, the fact that London is so close and convenient is psychologically important. It avoids the notion that a company is stuck in the middle of nowhere.

For companies like Thomas Cook, which moved to Peterborough in the 1970s, and Perkins Engines, which has always been in the town, this is a factor to be considered. It means executives can whizz up and down and see customers or do business, and return within the day.

The road network is also good, particularly in a north-south sense since the A1 runs up through the town and the M11 is not far off to the east.

Perhaps the weak link in communications is that the road to the west, the A47 which links the A1 and the M11 where the two roads spread out, is inadequate. However, there are plans to improve this in the 1990s.

Looking further ahead, there are good links with the east coast ports like Ipswich and Felixstowe with their access to mainland Europe. Stansted in Essex is due to be elevated as London's third airport in the 1990s and this, again, is convenient for Peterborough.

Other towns are close to airports, however. Crawley and Haywards Heath in Sussex, for example, are near Gatwick. Other towns have excellent road and rail links.

The fabled M4 corridor has a number of towns such as Reading and Swindon with excellent and close links with London, and they are not far from Heathrow Airport.

It is when making comparisons with other towns trying to attract newcomers that the Peterborough enthusiasts begin to talk about the quality of life.

When the Peterborough Development Corporation, which channelled most of the public investment into Peterborough, started out in the late 1980s, it seemed prescient in at least two respects.

It emphasised in its promotions that Peterborough was an old town, so that companies and investors would not be moving to greenfield sites. Second, it developed the town by building three satellite townships, Orton, Werrington and Bretton, which were largely self-contained in having shopping and social facilities, but it linked them with a series of looping parkways.

One of the things the first-time visitor to the town is struck by is how easy it is to get around and how hassle-free is the travelling. It is easy to park at the railway station, it is easy to park at the Queensgate, the main shopping complex in the town centre. It is also easy to drive between the town and the townships since the parkways are rarely congested.

Compare this with Cambridge. When I asked a businessman how long it took to drive to Cambridge from Peterborough, he said it took 45 minutes but then it took an hour to park.

Not only are the roads not congested, but there is plenty of room for house building. The town is not hemmed in either by the sea or environmentally sensitive areas. There has been a tremendous inflation in house prices in the past 18 months. But it is still possi-

ble to buy three-bedroom houses with a garden for £100,000 in countryside or three-bedroom terraced Victorian houses in the town centre for £50,000 - these are at least half central London prices.

The Development Corporation has done a lot in terms of developing leisure opportunities. It has converted Ferry Meadows, a set of old gravel pits into a water park. There is the River Nene for fishing.

In town there is ice skating, and virtually all other kinds of sports facilities. There is a theatre, two multi-screen cinemas, some pleasant restaurants and at least five night clubs. To those who argue there are no serious music centres except occasionally in the cathedral, the answer is that London is a short train ride away.

The quality of life has been important in enabling companies to persuade staff to move with them, and in getting key personnel to stay once they have transferred.

But the gradual development of the A1 corridor and the M11 corridor would perhaps not have started if the M4 corridor had not already been overcrowded.

Mr Christopher Giband, the new Director of the Peterborough Development Agency, who was in Swindon before going to Peterborough, said that any company now looking at Swindon and Reading, say, would not be able to match Peterborough in terms of either a factory site or somewhere for its employees to live. These towns might be closer to airports and London, but they have become oversubscribed.

To the east the situation is different but similar. Although East Anglia is up and coming, certainly with commuters, Cambridge now has a surfeit of high tech companies and is beginning to overspill into Peterborough. The port towns like Ipswich and Felixstowe do not really have the space to expand.

Peterborough is triply blessed by its geography, communications and the overcrowding of some of its competitors. The downside may come when Peterborough also becomes congested and companies look further north to Grantham and Doncaster - but that day is still some way off.

Stewart Dalby

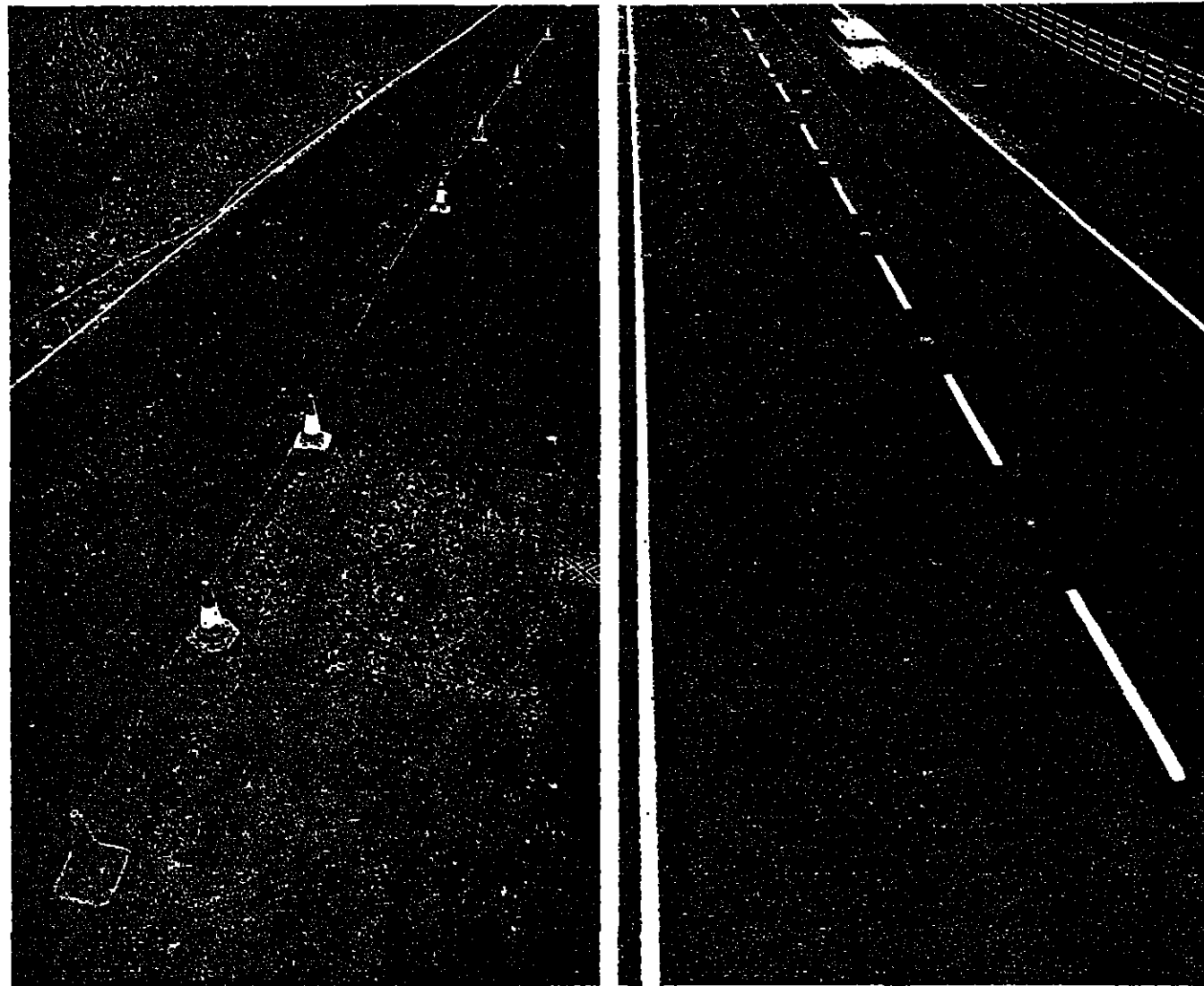
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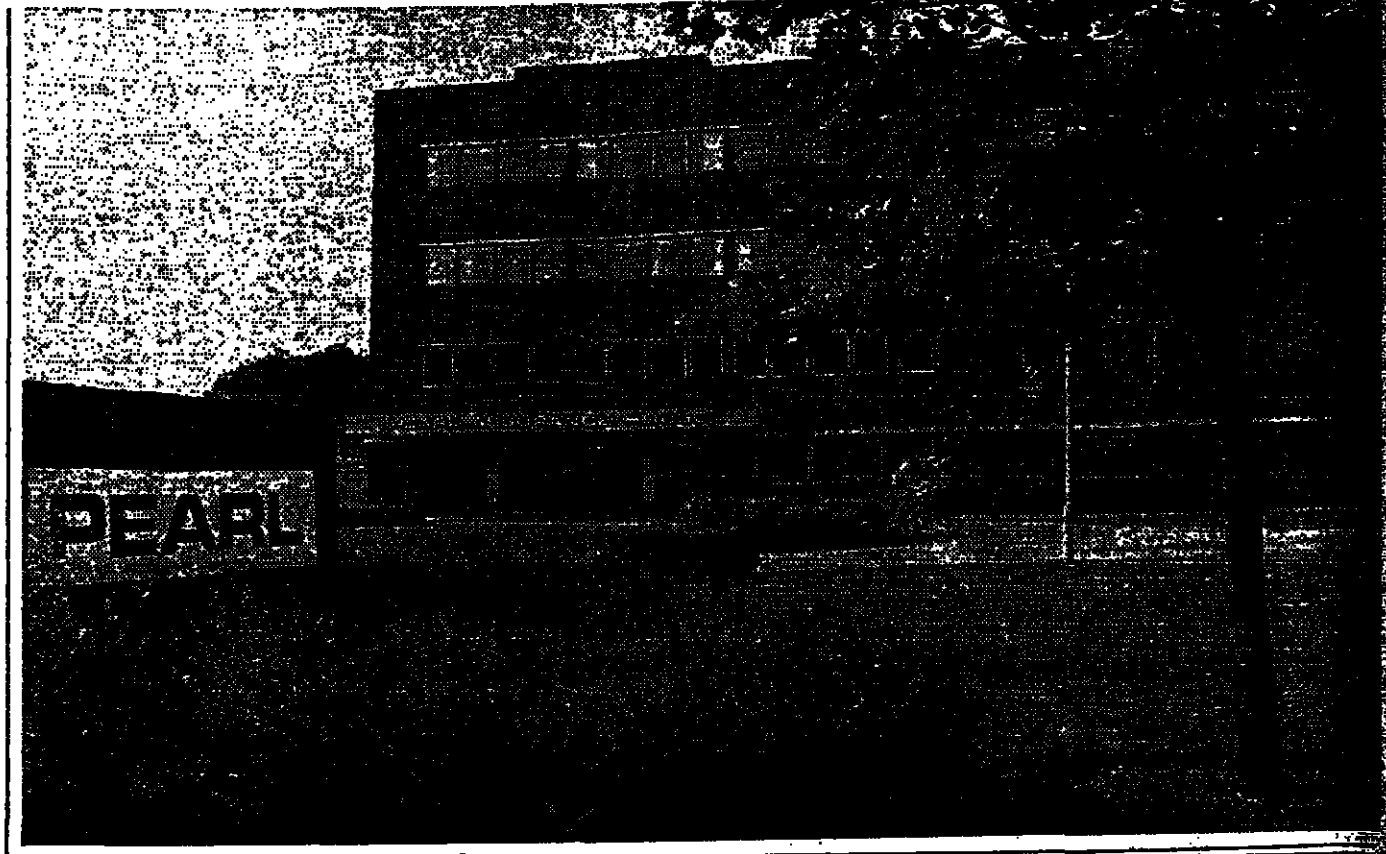
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Pearl Assurance building in Peterborough

Profile: Pearl Assurance

Making big move from the South

THE DECISION by Pearl Assurance last year to move to Peterborough was the single most significant relocation of the new town's 18-year expansion. The 250,000 sq ft, 25m building on Peterborough Business Park will be capable of housing up to 2,000 staff.

The High Holborn head office, which Pearl had occupied since 1915, was in need of major refurbishment. But only a purpose-designed building, it was decided, could combine operational flexibility and efficiency and allow for the development of the most up to date computer systems.

The move out of London will, in addition, reduce Pearl's long-term expenses, saving £1m in annual running costs and £2m in London weighting.

But Peterborough was not chosen from cold. The group's computer and accounts centres, and one of its regional offices, had been there since 1974. At that time, 100 staff moved from London. Pearl's experience of Peterborough since then was one of the major factors in persuading the group to relocate both its chief office and the other five regional offices to the town.

Staff turnover was lower than it would have been for London, for example. The quality of the business park site was a further consideration.

In all, some 1,600 staff are being given the opportunity to move to Peterborough. It is anticipated that 500 of the staff will make the move, with those from regional offices, particularly Glasgow, more reluctant than staff already in or near to the South East.

Recognising the considerable upheaval to the lives of many staff, Pearl set up a relocation unit to advise on issues such as housing and schooling. Once the decision had been taken, over 1,000 employees and their families visited Peterborough to inspect the new site and to familiarise themselves with the area.

The internal counselling service to help staff relocate or help those unable to move is continuing this year and into next.

Though the new building will not be ready for occupation before 1991, Pearl has

already started to recruit local clerical and administrative staff, expecting to create an annual demand of between 200 and 300 jobs.

The company recently adopted a rather unusual approach to recruitment, headlined in a local newspaper as 'Computers Wood in Jobs Drive'. Pearl staff were handing out leaflets at local railway stations headed 'Why Flock to Town, showing pictures of sheep heading the same way.'

The campaign is aimed particularly at skilled people, such as underwriting administrators and building surveyors who might have been unaware of the employment opportunities in Peterborough.

However, Pearl's investment and actuarial departments will remain in London, to retain a link for the group's connections in the City, while Pearl's 255 district offices, with direct access into the computer facilities at Peterborough, will not be affected.

The High Holborn building and Pearl's regional offices are likely to be retained. Estimated redevelopment value of the present head office would be about £100m.

Alastair Gault

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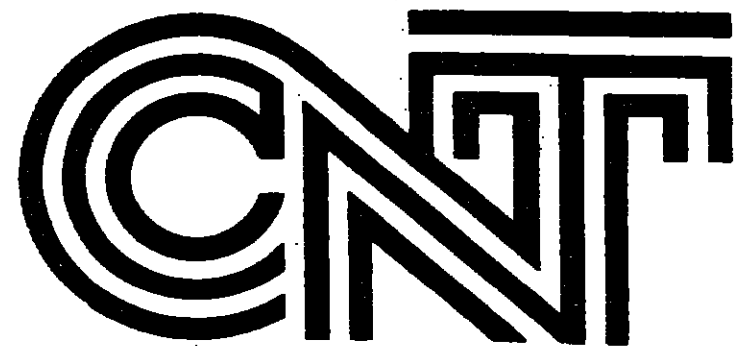
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PETERBOROUGH



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CNT now offers industrial and commercial property opportunities to businesses, developers and investors in Peterborough and in the 14 additional mature New Towns across England.

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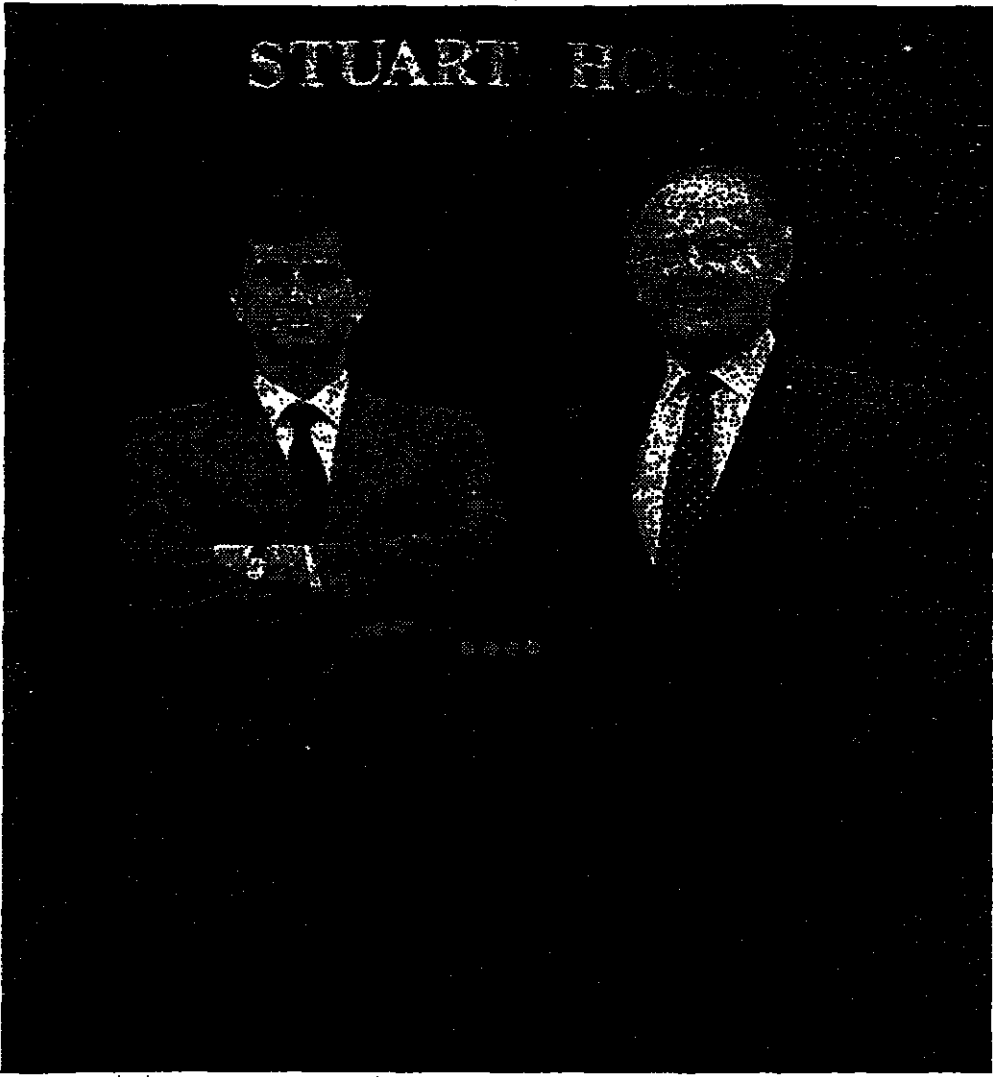
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PETERBOROUGH 3

PETERBOROUGH DEVELOPMENT AGENCY

Private sector to the fore



STUART HO

Mr Chris Gibaud (left), director, and Mr Ken Hutton, chairman, of the development agency

PETERBOROUGH enters a new phase of its development next month. Gone are the days of massive public spending, whether on infrastructure or promotion. Peterborough is confident that the private sector, attracted by the city's buoyant business climate, will now carry the investment to the end of the century and beyond. The success of companies already in Peterborough will itself breed success, believes the Development Corporation.

The signs are good. Private sector spending has already overtaken that by the public

sector. The past year saw a net jobs gain of 2,300, the largest in the development corporation's 18-year expansion programme. House builders evidently need no convincing that Peterborough will provide a good return on investment, as house prices continue to rise, with a number of major schemes now in the pipeline.

Most capital projects undertaken by the development corporation will have been completed, or arrangements made for other bodies to complete them. Some of the PDC's staff will transfer to the CNT, others, such as architects and

engineers, will be retained as consultants to complete tasks already started by the PDC. Nevertheless, confidence has not given way to complacency. The announcement three years ago that the development corporation would cease to exist on October 1 prompted the corporation and local authorities to think of ways of keeping Peterborough's success flowing outside the area. Peterborough Development Agency, which also has the support of the Commission for New Towns, is the result.

The PDA will have a total annual budget of 20.5m, one

third of the PDC's promotional budget alone. The agency's staff totals six, compared with the PDC's present staff of 140. At its peak, the development corporation employed 880. "We aim to continue promoting Peterborough, though we will now be addressing a slightly different audience," says Kenneth Hutton, general manager of the development corporation, and chairman of the PDA. "We will be targeting property developers and investors to carry out development on land being marketed by the commission, and companies to buy properties developed."

There are still 300 acres of undeveloped land within the PDC's control which will pass to the CNT on October 1, and further parcels of land in private ownership around the city boundaries which could come forward for development. The agency has already set up a working group of industrial and commercial agents to exchange ideas about how best to market the city in the future.

"The PDA will be a one stop agency," says Christopher Gibaud, director of the PDA. "It will analyse the services and resources that companies require, and put them in touch with all relevant organisations." It is building up a comprehensive data base on the local economy for the benefit of all clients, including information on the local workforce, labour rates, education and training, housing and other amenities and services.

Close liaison will be maintained with the local authorities, the CNT, estate agents and property owners, and information published and regularly updated on the availability of properties and sites. The agency will arrange introductions between agencies and owners prepared to sell or lease industrial and commercial land or property and companies looking for sites.

"Close contact will also be maintained with local industry and commerce through associate member policy forums, business seminars and newsletters," says Mr Gibaud. In this way, we aim to develop a mutual understanding of the local economy and an awareness of potential opportunities."

Alastair Guild

Perkins Engines is investing heavily to maintain its world lead



Mr Richard Allen, director and general manager of Perkins Engines: "Staff have welcomed the new production technology"

Sharp boost to productivity

MODERN Peterborough owes its origins to engineering. Though service industries have now replaced manufacturing in general as the largest employers in the expanded new town, engineering remains a key element in its employment base.

The site where Frank Perkins made his first diesel engines in 1962 may have been absorbed since into the giant Queensgate covered shopping centre, but Perkins Engine Group continues to be the largest single employer in Peterborough, and the world's leading independent diesel engine producer.

It employs 3,500 on the 147 acre site, its world headquarters, including 2,500 hourly paid workers, with 2m sq ft of covered production space. From Peterborough, the company dispatches 275,000 engines each year, either complete or in kit form for assembly by its 16 overseas licensees. Its engines are supplied for 200

different applications, in 180 countries, through 4,000 distribution outlets to 500 OEMs, including JCB, Caterpillar and Massey Ferguson.

It has invested heavily in capital equipment over recent years, including £100m over the past five years in automated cylinder head production, block production and testing, with an emphasis on quality and durability.

Perkins has also put £50m into extending its product range, with 10 additional product ranges launched over the last two years. It plans to continue to invest £25m each year, split between capital and product investment.

In addition, many of its staff have been through retraining as engines have increased in complexity. The company has sought to involve hourly paid staff at the very early stages, laying on trips for operators to visit vehicle producers plan-

ning to use engines being developed by Perkins.

Perkins this year won government awards for multi-skilling. Staff have welcomed the new production technology on site, says Richard Allen, director and general manager at Peterborough. They were consulted about the new factory layout and threw in suggestions for its development and installation.

New work practices, such as multi-skilling, combined with capital investment, mean that the company is now producing 76 engines per employee each year whereas 20 years ago, the company was producing 25 engines per employee each year.

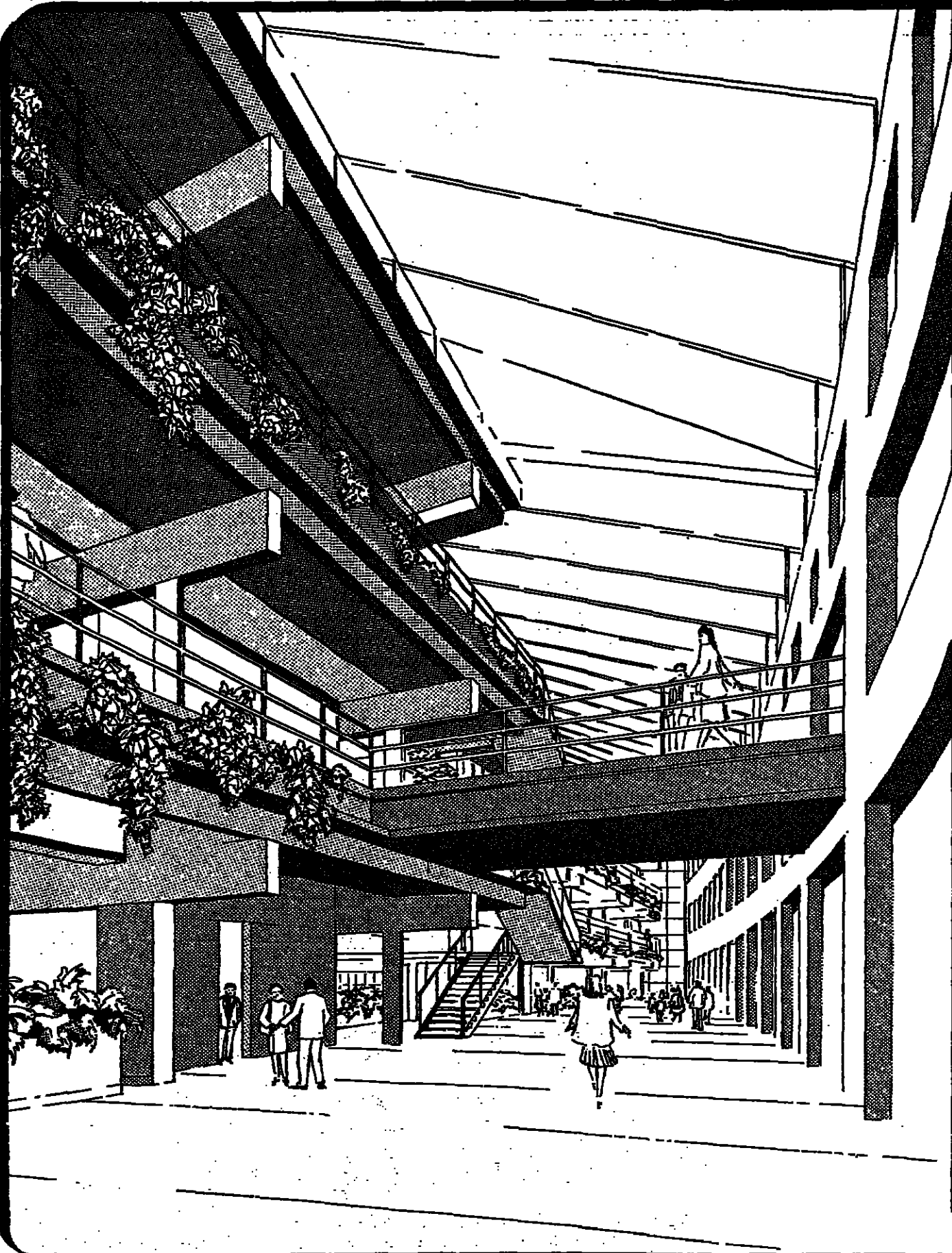
Particularly encouraging for Perkins future is the increasing popularity of diesel engines for cars, with production of one of its high speed ranges expected to increase from 20,000 a year to over 30,000 a year by next year. Other

growth areas include the marine sector, while the company is working on a number of overseas collaborative ventures which would be expected to substantially increase sales, in Japan and the US, for example. In a tie up with Detroit Diesel Corporation it expects North American sales to double.

Perkins has cut its Peterborough workforce by 1,200 over the past three years, but there were no lay offs last year and the company is now starting to recruit additional staff to meet increasing home and world-wide demand.

There were some 900 applications for 120 direct hourly paid vacancies, just filled, principally assembly and machine operators. It has been stepping up its graduate recruitment, and currently takes some eight technician apprentices each year.

Alastair Guild



ROYAL LIFE'S COMMITMENT TO EXCELLENCE IN PETERBOROUGH

Royal Life Holdings, incorporating Royal Heritage Life Assurance Ltd has transacted business in Peterborough over many years, and now, in response to our continuous growth and expansion, a new purpose-built modern building has been commissioned.

Construction of the new Royal Life office is due to start in January 1989. The 220,000 - square foot building is set in an attractive 32 acre site in Peterborough's Business Park. When it is completed - in the second half of 1990 - staff from all our Peterborough sites will be brought together and accommodated in a complex which will provide not only an efficient and exciting working environment but first rate sports and leisure facilities as well.

Royal Life has a reputation built on its long record of quality, reliability and service. The new building acknowledges the excellence of Peterborough as a major business base and confirms Royal Life's continuing commitment to its people.



PETERBOROUGH 4

Business services have grown in parallel

An array of support

PETERBOROUGH'S growth as a location for a wide range of business types and sizes has been paralleled by a host of services to help companies take seed and grow.

The latest evidence of the city's maturity as a business centre is the decision by the first of the big eight accountancy firms, Arthur Young, to establish an office in the city.

"We saw a lot of Peterborough businesses which were ripe for becoming big eight clients," says Mr Brian Waters, managing partner of the firm's Cambridge office, and the partner with overall responsibility for the new Peterborough office. "These were firms which had outgrown advice available locally, and needing to go through a process of structural change. The most common advice sought by clients is on restructuring, raising finance for expansion, or management buyouts."

The Peterborough Enterprise Programme is another important source of business advice, though its services are targeted at smaller fry generally people wanting to start their own business. The vast majority of its clients are in the services sector. The agency is sponsored by over 40 companies and the local authority, with a full time seconded from the National Westminster. It persuaded the city council to put up £30,000 three years ago as a guarantee fund, with the programme able to organise commercial loans up to £7,500. The scheme has been used only three times. "Once people know some help is available, that acts as an encouragement for them to help themselves," says John Duckworth, PEP's director.

PEP is also a partner with the Cambridge Enterprise Agency in the Cambridgeshire Financial Introductory Service, a marriage bureau designed to



Mr Patrick Sheen (top) of P'boro college and (above) Mr John Duckworth of PEP

introduce investors to people seeking larger amounts of money. The first meeting was last September when four out of five people presenting ideas were successful and have since started their own business. They included two Peterborough entrepreneurs, one making computer modems, another producing boards for testing components and circuits and designing circuits.

A small business group is run jointly by the programme and Peterborough Regional College, just one indication of the college's close involvement with local business needs. Founded 106 years ago, it is a prime provider of industry's training needs. Now almost every course provided at the college is vocational. The 250 full-time academic staff teach up to RND standards and some students go onto higher degrees, with the college also discussing with polytechnics and universities how it might front end for their degree courses.

"When we moved to this site just after the war, the college was almost wholly engineering and building based," says Mr Patrick Sheen, the college's principal. "Since then, the growth has been predictable, with an expansion on the financial services, accountancy, banking and management side. We run one of the largest diploma in management studies courses in the country. An insurance course, now with 120 students, is another example of how the college is customer driven."

Though there has been fast growth in the college's training provision in the financial services sector, PRC remains an important centre for electronics, building and engineering. There are 200 students on its higher technician course in electronics, for example.

It is placing a senior lecturer with Peterborough-based engineering company APV Baker to be a focal point for training need analysis and to act as a link between the college and industry in the area of computer aided design and manufacture. "This will cost us money, but if there is a spin off in identifying industry's training needs as we expect then it will be money well spent," Mr Sheen says.

The college is also detaching a member of staff for two years to look at integration within engineering, electronic engineering and control engineering to match what the college

offers with industrial practice. "We abolished departmental boundaries over four years ago, and started a debate about innovation, about how we could get ahead and stay ahead. We decided we would be more likely to be fast responsive if we worked in small groups."

The college now functions in 30 sections, each targeted on one market segment, with between six and eight academic staff per section. Their job is to know their customers and make sure the college is delivering what the customer wants. The maximum student size of a section is 16, though student size varies a lot.

Section heads are elected by staff. The college has introduced the concept of dual sourcing, to provide competition for sections. "There is a computing section and a financial services section, for example. But most of the financial services section are computer literate, so that if a company came to the computer section and it couldn't meet the company's demands and the company went to the financial services section for say spread sheet analysis, that the computer section could lose that business for good," Mr Sheen explains.

He sees a growing demand at the same time for in-plant courses. The college will provide purpose-designed courses or take standard courses in-plant. Companies are also calling on the college to provide foreign language training, with the college, for example, sending a linguist to an office to teach industrial or business Spanish to an engineer in a company taking a fixed price tender to Spain. The college has some 200 part-time specialist staff on its books, who can be called upon as and when the need arises.

"We charge what the market will stand. We are competing with other educational providers, on a fixed price tender basis. If we treat ourselves like a business, we are in a better position to appreciate our customers' needs," Mr Sheen says. The college's running costs stand at over £6m, about one quarter of that met from outside sources.

It has had sales teams out travelling the Far East for the last 12 months, has a full time marketing officer and two industrial liaison officers. It now has 200 overseas students.

PRC has been appointed also a training agent in North Cambridgeshire for the government training initiative Employment Training, and it is also a major YTS managing agent. While the college provides a link between education and industry in the area, a group has been running to encourage a sharing of experience between companies in the region.

The East of England Technology User Group, based in Peterborough, was formed to increase awareness of information technology, providing a forum where participants can exchange information and experience. There are demonstrations of high-tech applications in manufacturing and commerce and the opportunity to discuss problems with consultants and those servicing the industry.

The aim is to assist members to discover the latest cost-effective methods available to enhance productivity, and the best way to apply that technology to their own companies. The group meets usually at members' premises. There is a short meeting followed by demonstrations of low-cost CAD-CAM, CNC and linked systems, office automation and communications, and frequently involving tours of premises. Nearly 100 companies and organisations, from Hertfordshire to Lincolnshire, and from the east coast to Leicester are full members with many others participating. Alastair Guild

PROFILE: UNITED OVERSEAS GROUP

Surplus profits



Mr Jeffrey Curtis: "Our business is based on trust"

ONE OF the most unusual companies to be drawn to Peterborough is the United Overseas Group, which has as its chairman, the colourful Mr Jeffrey Curtis.

The group is what is known in the US as a "close-out" company, but which in a UK context is probably better described as a surplus inventory company. Mr Curtis, who started the group in 1976 with his second wife Madeleine, with £100 of capital, prefers to call the group a general trading company.

Mr Curtis, now 45, has been a trader all his life. Having left school before he was 15, he worked in the main London markets street markets like Southfield and Petticoat Lane, buying and selling. He graduated to driving around the country with a lorry full of goods, and then doing the same thing in Europe.

After setbacks with his first business, the United Overseas Group really got going in 1979 when United Overseas Traders purchased a company called Novo Toys from the receivers of the large toy group, Dumbee Comber Marx.

The purchase price was £450,000 as well as all the stock the deal included a 10,500 sq ft warehouse and office property in the village of Maxey, near Peterborough.

Thus the Peterborough connection was established. Over the next few years United Overseas needed more and more space, warehouses were bought and sold. Last year, the group agreed a deal with Perkins engines under which a 160,000 sq ft factory and warehouse were purchased and some 10,000 sq ft leased back to Perkins. The remainder will form the new corporate headquarters of the growing group.

In essence, United Overseas buys surplus or discontinued lines from large retailers or manufacturers and then sells them to different markets. It also involves itself in counter trade and barter. If a range of toys has run its course, for example, or a line of toys is being re-labelled or re-packaged, then the United Overseas will buy out the unsold stock, and sell it at some stage in other markets.

The guarantee to sell elsewhere is the key, according to Mr Curtis. "Our business is based on trust. A customer must know that if he sells us surplus stock we are not going to dump it on his existing markets. We must find other outlets for it."

Mr Curtis denies that United Overseas is, in any sense, a factoring company. "We act as principals," he says. Questioned on whether his company is not often left with stock it can't move or whether they occasionally get a market badly wrong, Mr Curtis replied: "No, everything goes eventually. I am not concerned."

about carrying stock, stock can appreciate in value.

The trick is knowing the markets very well and matching up customers and supplies. To give just two examples, Mr Curtis recently bought a batch of calculators from Bulgaria. He paid for them partly in cash but largely by exporting much sought after toilet-tries. In another deal, Mr Curtis bought a large number of post office uniforms which had been rejected for use on design grounds. They cost £15 each to make, and he paid £1 for them. He has not sold them yet but he is confident he will.

"These will probably go down well in an African country. We'll get our representative in Kinshasa or in Kenya to look at the possibilities," Mr Curtis said.

United Overseas deals with about 400 suppliers covering literally thousands of different items. Mr Curtis says that even the best marketing men cannot get everything item exactly right.

"Selling into a market worth, say, \$100m, a company cannot be expected to guess the strength of the market to within 99.9 per cent accuracy. What it does not sell, we buy," Mr Curtis says. The company does have a negative cash flow, but that it is profitable. In the past year, turnover was around £14.5m and profits before tax were £880,000.

Mr Curtis is hoping to bring the company to the Unlisted Securities Market soon. He thinks the potential is enormous, he is looking for turnover of up to £25m in the next few years. At the moment he thinks his company is the largest of its kind in Britain and probably in Europe.

He says that in the US there

are a number of "close-out" companies with turnovers of more than \$1bn each. He does not envisage his company getting that big in the foreseeable future but easily sees turnover reaching £200m. He does not think the company will branch out into direct retailing or manufacturing but see the group's current activities just growing and growing.

Asked whether city analysts, when looking at the company for listing purposes, would conclude there are limits to growth because of the management structure, Mr Curtis denied he was a one-man band.

"Everything is now computerised," he said. He has also been building up a management team. "I try to get my partners involved in the group with share options and profit sharing and the like. There is too much temptation for people to learn the business here and then go and set up on their own."

The company now employs 42 people in total and "several people who do exactly what he does," he said. "I think city analysts will be wary, feeling that the business is high risk. But once they come here and see how solidly-based the company is, they will probably be keen."

Mr Curtis lives in Windsor and so has one and a half hour commute each day each way. Why does he keep the business headquarters in Peterborough? "Well, I received a very good deal when I first came a rent free period from the receivers on the factory. The Corporation here has always been helpful. It is very convenient for the east coast ports like Felixstowe and Ipswich."

Stewart Dalby

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PETERBOROUGH 5

PROFILE: ISOWORTH

Sophisticated sips



Mr Derek Harris, Isoworth MD

ISOWORTH SAYS its managing director, Derek Harris, is an example of "the Cambridge phenomenon" accelerated by "the Peterborough effect". The company's dispenser of carbonated soft drinks, developed in Cambridge, is going into full scale production on Peterborough's business park. The company's origins lie with Ian Aldred, now a non executive director, who worked for Sodastream, another Peterborough-based company making home drinks dispensers. He believed the home drinks-making market would move to a more sophisticated level than that addressed by Sodastream. He left Sodastream in 1982, started Isoworth in 1983 and recruited John Scott from Cambridge Consultants to head a small product development facility near the city. A prototype was up and running by the end of 1985. "Cambridge was a very expensive place to be, and Peterborough was the nearest area with readily available factory space at sensible costs," says Derek Harris, who was himself at Sodastream for eight years, before working in the venture capital industry as a chairman and director on the board of a number of start ups. "The whole environment in Peterborough is more suited to support manufacturing."

When Isoworth moved to the new town, it took a 2,500 sq ft unit rented from the development corporation on a 10 year flexible lease. "So as we grow, and anticipated further growth, we were able to move into a 10,000 sq ft unit and hand back the smaller unit to the corporation; and the corporation reserved a further 10,000 sq ft of space next door for us rent free for one year. In addition, the first three months in both units were rent free."

The company retains a small research base a few miles from Cambridge. Much of the research and development work is done in house but it has had a lot of assistance, particularly on the electronics side from facilities available in Cambridge, tapping into Cambridge Consultants, other research laboratories and the university as need arises.

Most of its present Peterborough based staff of 34 have been recruited locally. It has a technical team of eight working on improvements to the

fourth biggest grocery sales item, with a current annual value of £5bn, and growing by between 6 and 7 per cent each year. Some 70 per cent of soft drinks are consumed in ready to drink form at or from home. The company is also exploring overseas potential for the machine. It recently completed extensive market research in West Germany, for example, the third largest soft drinks market in the world after the US and Mexico, and found the results very encouraging.

The cost of drinks from the dispenser are roughly on par with what the consumer pays for each drink from a two or three litre bulk plastic bottle from the supermarket, while the quality of drink from the dispenser is equal to that from a can. But, says Derek Harris, the dispenser reduces the amount of packaging, and is more convenient for the consumer. The German research showed that households saw the machine as a serious kitchen appliance, and likely to replace all of their soft drinks purchases.

"We are aiming to have a dispenser in one in three homes in the UK within 10 years. I don't think that is impossible by any means. New Zealand, Israel, Iceland and Denmark have already reached that level of use."

Isoworth raised £5m from institutional investors in a share issue last July. It has so far invested £100,000 in its Peterborough plant, and £500,000 in tools for making plastic moulds and plastic mouldings sourced elsewhere.

"By the end of next year, we will need to move to somewhere bigger," says Derek Harris. Within two years, the company could be employing several hundred people. There are a few pieces of land of sufficient size in Peterborough for such expansion. We will make a decision by Easter next year as to where to move to. "If the business grows to anything like the size we expect, then almost inevitably we will need to manufacture elsewhere, but we want to keep our principal manufacturing facility in Peterborough. We do foresee the day when there may be shortages of labour, but the advantages of Peterborough are enormous."

Alastair Guild

Alastair Guild



The city's fine shopping, more than anything else, has turned Peterborough into a regional centre

The city's quality of life has become one of its key attractions

A successful blend of old and new

PETERBOROUGH is now a regional centre for an area which until recently had none. As an attractive but small cathedral city it could hardly have supported the cultural, sporting and shopping facilities which now thrive, or marked the range of housing types available. Talk to any recently arrived businessman, however, and he will say it was the quality of life which, perhaps above anything else, brought him and his workforce to the town.

"Peterborough used not to be big enough to attract a department store, or to support decent entertainment or a decent night club and was very short of parkland, surprisingly for a town surrounded by country," says Mick Field, of the Development Corporation. "So Peterborough was smart in doing a kind of deal. It said we will be good neighbours to London, and, in return, get the facilities we need."

An ice rink, Britain's first indoor cricket stadium and a rowing and canoeing course are just some of what Mr Field calls the nice surprises of the deal.

But Peterborough, and the surrounding countryside, is a blend of old and new, a blend no more apparent than in the largely pedestrianised city centre. Much of the historic architecture of the streets leading off the cathedral precincts has been preserved, and the latest

monument to Peterborough's success, the award winning Queensgate covered shopping centre, cleverly concealed behind the attractive street facade. It is shopping, perhaps more than anything else, which has turned Peterborough into a regional centre for people from a radius of more than 50 miles.

The West Riverside, the latest addition to city centre shopping, has, like Queensgate, been designed to make the most of Peterborough's heritage. The £25m project, the second biggest scheme in the entire city expansion programme, will transform the southern gateway to the city centre.

Like Queensgate, it is predominantly a shopping scheme based on the complete restoration of old buildings combined with a large element of new shops. But the 11 acre site, next to the River Nene, will provide an opportunity to upgrade the riverside frontage, and include licensed premises, housing and car parking.

The development corporation promoted the development, which will be carried out by private developers Speyhawk in conjunction with the Dee Corporation, parent company of the Carefour/Gateway chain. It will have a supermarket in West Riverside. Approval has also been given to a private individual to develop a

riverside inn alongside the main scheme.

The roads around the centre are the hub of a sophisticated road network connecting areas of housing and business to each other and to the national road network. Those company executives and workers canvassed said that traffic jams are virtually unknown, even at peak times. Roads, footpaths, and extensive cycleways have been generously landscaped with trees and shrubs. Over 2m of them have been planted by the development corporation, more than 100 for every family, helping to screen residential and commercial areas from traffic.

Plants have been taking root in the new townships also where most of the city's new homes have been built. These are distinctive neighbourhoods with local shops, schools and playing fields nearby. Residents are encouraged to make use of school facilities as a community resource. Some localities also have dental surgeries and general practices.

The latest major housing proposal, recently granted permission by the Environment Secretary, is for a £31m, 5,000 home township on reclaimed brickpits. Private housing represents 60 per cent of Peterborough's housing stock. Prices

range from £40,000 upwards, with the £250,000 barrier recently broken for a development of five-bed dwellings, with two bathrooms, extensively fitted kitchen and space for two cars. The development corporation has sought the best design and layout through competition among developers, particularly at the top end of the house range.

House prices in Peterborough have not yet reached the level of the South-East as a whole, and East Anglia which has had the highest house price increase of the whole country over recent months. That should remain true for some time, with new schemes coming on stream at a rate of 1,000 homes a year, though Peterborough and surrounding villages are becoming increasingly popular with commuters to London. The most imminent shortage is likely to be felt by first time buyers.

Leisure interests have been well catered for. Peterborough now has two 18 hole public golf courses, lakes with trout fishing, a 2,000 acre park with larger lakes for water sports, bird sanctuaries, nature trails and other countryside amenities. The development corporation developed and ran a country park, used by many school's study trips, introducing children to the richness of

the countryside. This is now being managed by a trust.

For the culturally-minded, Peterborough has its own orchestra, supported by the Arts Council. Members work with amateur operatic societies, teach in schools and coach the city's musically-gifted children. The corporation has been sponsoring the Roth Quartet, which was the British entry in the European Broadcasting Union's triennial competition for string quartets.

An arts centre, which hosts concerts, theatre and exhibitions, and other events, is developing projects which take artists and performers out into the local and city wide community. Peterborough is also to get one of the country's most modern libraries, built by the county council at a cost of £2m.

But Peterborough has not ignored the weak in body. Its two general hospitals have a total of 800 beds. The district hospital is a teaching hospital with an intensive care unit, accommodation for baby care and pre-convalence and geriatric patients, a large maternity unit and extensive outpatient services. There is also a 44-bed hospital, established by a consortium of local consultants to provide treatment for private patients.

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The Royal National Institute for the Blind
User-friendly home for £30m enterprise

A RATHER unusual production and distribution operation is moving to Peterborough. And the buildings themselves are user-friendly in an unusual way, designed to meet the needs of the visually handicapped.

The Royal National Institute for the Blind, with a turnover of £30m, has already transferred its production and distribution centre from central London to the eight-acre site. The next phases of the £30m development, due for completion next April, will house all RNIB's braille transcription and printing, Moon production, cassette library and equipment and games distribution. At present, these services are scattered around sites in London and elsewhere.

Special thought has been given to paint work, floor coverings and lighting to make it easier for blind workers to navigate around the building. Of the RNIB's 40 employees already in Peterborough, eight are visually handicapped. "We would like to see at least one third of the eventual total of 180 jobs at Peterborough filled by the visually impaired," says Maurice Wright, head of RNIB's technical consumer services division.

With a turnover of £8m, technical consumer services, one of three operational divisions, supplies a wide range of goods and services to help blind people with practical tasks and leisure pursuits. They include items in braille, Moon and audio tapes as diverse as Radio Times, textbooks, letters and bank statements. Its customers for that last service include Barclays, Lloyds, Midland, Bank of Scotland and Access. This year it supplied 15,000 large print and 20,000 braille statements.

The 1988 equipment and games catalogue features over 500 items, ranging from needle threads, through easy-to-see and braille wrist watches to a range of games and talking bathroom scales.

"Our sales organisation is very much mail order, so we were running out of storage space in Great Portland Street," says Mr Wright. "The fact that we had a warehouse in W1 was obviously stupid, and the layout of the building was clearly not conducive to moving goods out quickly."

The RNIB asked a firm of management consultants to advise on alternative locations. Clark Whitehill drew up a shortlist of Milton Keynes, Northampton, Cardiff, Telford, Swindon and Peterborough.

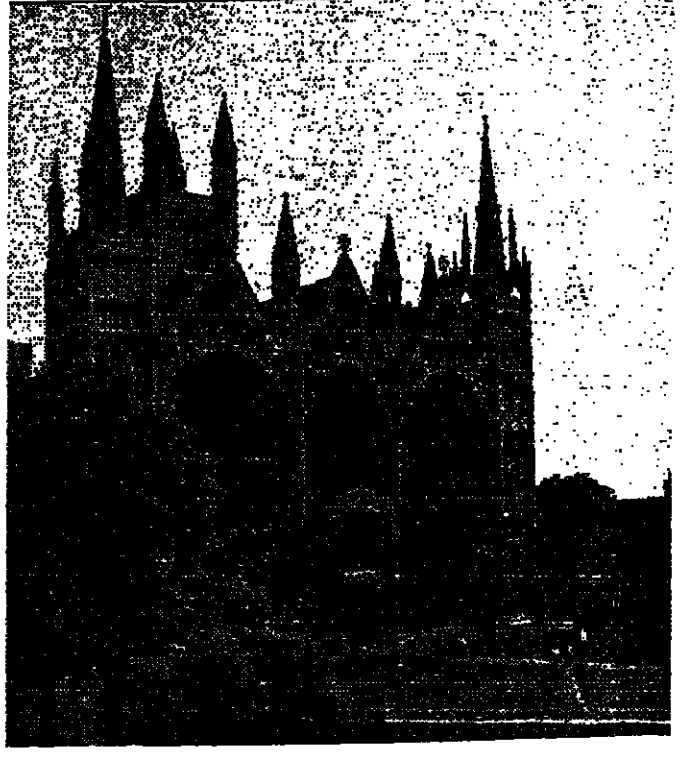
"Peterborough offered a suitable area of land at reasonable prices with good communications," says Michael Caudrey, associate director with Clark Whitehill. The Development Corporation's attitude towards

our enquiries was extremely helpful, streets ahead of any of the other development corporations we approached.

The PDG offered rented accommodation for any staff moving to Peterborough and said it would carry out any necessary modifications to accommodate for blind people free of charge.

"The move out of London will save substantially on accommodation costs, and will also result in extra savings though the proportion of visually-impaired to sighted employees will increase," says Mr Caudrey.

Blind customers are already experiencing a major improvement in the level and quality of service offered, with the turnaround on orders for items from RNIB's equipment and games catalogue reduced from three or four weeks to a matter of days. The institute has also taken the opportunity to invest in the latest, computerised braille and Moon production facilities, at a cost of £1m. Last year, 1,000 new braille books were published, 25m pages of



PETERBOROUGH Cathedral, which with Durham and Tewkesbury Abbey, is widely acknowledged as one of the outstanding examples of Norman architecture in the country, is seeking to raise £1.8m on its 750th anniversary.

Each year, the cathedral attracts 200,000 visitors. "We are not facing an immediate crisis on the scale of Ely, but we are trying to prevent such a crisis occurring," says the Very Reverend Randolph Wise, the Dean of Peterborough. All cathedrals, as they are affected by wind and acid rain, now have to go in for continuing maintenance.

The site has been a place of Christian worship for over 1300 years. A monastic church, founded by Peada, King of Mercia in 655 AD was destroyed by the Danes in 870. A second church, the Minster of a Benedictine Abbey, was built by King Edgar and consecrated in 974, but that too was destroyed in an accidental fire in 1116. The present building was begun in 1118 and consecrated in 1237 or 1238. In 1539, Henry VIII suppressed the larger monasteries, including Peterborough, but chose to preserve the building, raising it to the status of the Cathedral Church of the new Diocese of Peterborough.

Mary Queen of Scots was also buried in Peterborough in 1587 after her execution at Fotheringhay, though after 25 years her body was removed to Westminster Abbey on the instructions of her son, James VI and I.

The appeal has so far raised £620,000, with the appeal effort being directed increasingly at Peterborough's business community.

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PROFILE: PETER BROTHERHOOD

A tough turn-around

PETER BROTHERHOOD is one of those engineering concerns which has long been associated with Peterborough and in the 1980s was one of four main employers in the city.

In the 1970s, in common with many others, it experienced tough times. Yet in retrospect, those years can be seen as ones of drift, and overmanning. Competitiveness was eroded and with the shake-out in manufacturing industry during the early 1980s, Peter Brotherhood started falling into the red and experience cash flow problems.

According to Mr Philip Salisbury, the company's managing director: "By 1981 the markets had just disappeared. There were all sorts of specific problems. Marine engines, for example, were badly hit by the recession in oil prices. But in general, we found the markets were no longer there."

The company found it was unable to compete on price with new Japanese and Korean manufacturers. But also, Mr Salisbury said, the company, like others, had taken things for granted and had simply not got out into the world and sold its products.

The company was saved, so to speak, when it was taken over in 1983 by Thermo Electron Corporation of Boston Massachusetts. "This gave us financial credibility and the time to bring about the necessary restructuring," Mr Salisbury said.

Today, with the company slimmed down, sales break down roughly into one third steam turbines for marine and industrial applications, one third gas compressors for petrochemical and process industries and one third special purpose machinery built to customers and joint design.

Between 65 and 70 per cent of all the products manufactured are exported.

The company was turned around in two ways. The complete vertical integration of the company was stopped. Second the workforce was shrunk and productivity steeply increased. "It is very difficult, I think, for engineering companies to be fully integrated," Mr Salisbury said.

Peter Brotherhood closed down its foundry and its sheet metal shops, and generally reduced capacity. The company now buys in 98 per cent of its components. Competition is very fierce among suppliers. "The company drives very hard deals on price, quality and delivery dates."

"The other efficiency drive concerned the workforce. This is now down to 400 compared with 1,700 when Mr Salisbury joined the company in 1981. Output per man, which is the yardstick the company uses to judge productivity has increased from £15,000 in 1980 to £45,000 today.

"The going is still tough. Mr Salisbury treats the company cannot compete on price. "I don't believe in price inflation in this business. Inflation is something you build into civil service pensions funds," he said. The only ways the company can compete in world markets is by reducing costs and maintaining quality.

"I can give you examples of Japanese and Taiwanese companies in our field who are not selling their products at cost in some markets". Peter Brotherhood is competitive, but Mr Salisbury says he would wel-

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Two years of dramatic growth

Next month, it will be two years since the merger which led to the creation of Norwich and Peterborough Building Society. Chief Executive, Martin Armstrong, reviews a dynamic period of development, which has included the opening of the new Administrative Centre, at the Peterborough Business Park, by Her Majesty The Queen:

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 Assets have increased by over 50% in the past two years, and have recently broken the £700 million barrier.

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 The range of services on CASH COUNTER GOLD, the Society's high interest current account, have recently been increased to include a £100 cheque guarantee card and £500 automatic overdraft facility.

Stockbroker acquisition
 On 17th October 1988, Norwich and Peterborough will complete the acquisition of leading East Anglian stockbrokers, Waters Lunniss. Waters Lunniss will continue to provide private clients with a personal service of portfolio planning and investment advice.

In response to customer demand, Norwich and Peterborough has set up an instant share dealing service at each of the Society's 64 branches. This will enable customers to take advantage of the expertise of Waters Lunniss. Very competitive fees are being offered to

holders of CASH COUNTER GOLD accounts. The commission charge, for an execution only service, is 1%, with a minimum of £20 and a maximum of £80 per transaction (plus VAT).

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W at A. B. Homes are proud to have undertaken three major housing schemes in conjunction with the Peterborough Development Corporation, including the largest of their current housing projects. We would be pleased to discuss the provision of private and/or social housing with Development Corporations, local authorities, Building Societies etc. Contact Andrew Allen Dip.Arch., R.I.B.A.

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We offer a full service for commerce and industry. Contact Michael Evans, Greg Johnson or Shelagh Smith (Company and Commercial) John Hardwick, Philip Sloan or Robert Dillarstone (Commercial Litigation, Construction Law and Planning) Dick Arnold, Stephen Illingworth or Mark Hicks (Commercial Conveyancing).

Handwritten signature: *John, no 10/11*